

SWAZILAND ROYAL INSURANCE CORPORATION ANNUAL RESULTS

Overview of 2011

The Swaziland Royal Insurance Corporation's (The Corporation) main business activity is the provision of short-term insurance, life assurance to individuals and pension administration in Swaziland.

The Corporation reported a good performance and enhanced underwriting results in 2011 in the face of worsening market conditions marked by lack of growth across all classes of business.

Operating results

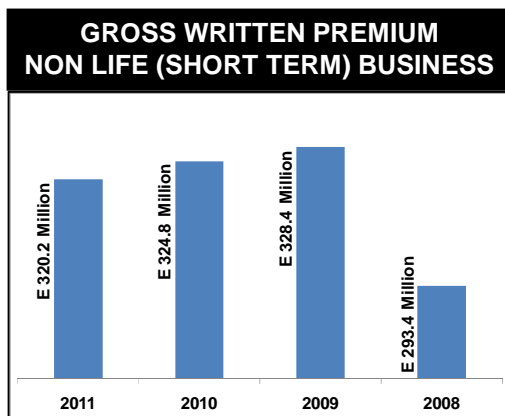
Non-Life (short-term) business

The non-life (short-term) business continued to deliver profitability (results) in the face of worsening market conditions and achieved an underwriting profit of E66, 9 million (2010: E71, 9 million). These results were in the main influenced by the following drivers:

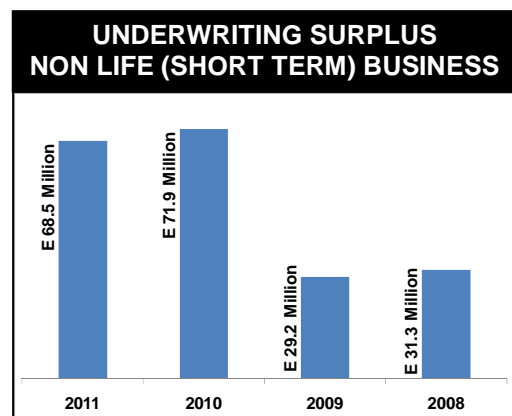
- Improvement in claims management. Claims incurred decreased by 7, 97 percent (E8 million) from E99, 7 million in the previous year to E91, 7 million.
- Improvement in cost containment, Non-life (short-term) management expenses increased marginally (less than inflation) by 4, 45 percent (E1, 8 million) from E40, 3 million in the previous year to E42, 1 million in the year under review.

Despite these improvements, the business took a strain from reduced reinsurance commission, consequently the overall profit for the current year dropped 6, 95 percent (E5, 0 million) when compared to previous year.

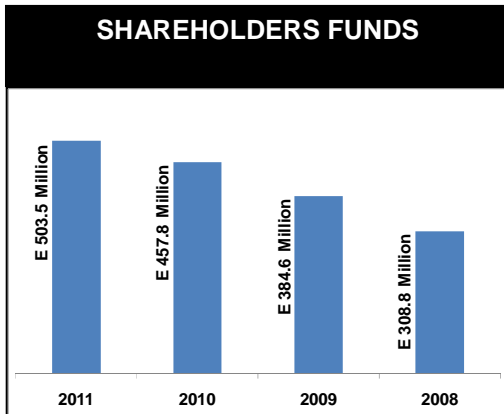
Key financial highlights



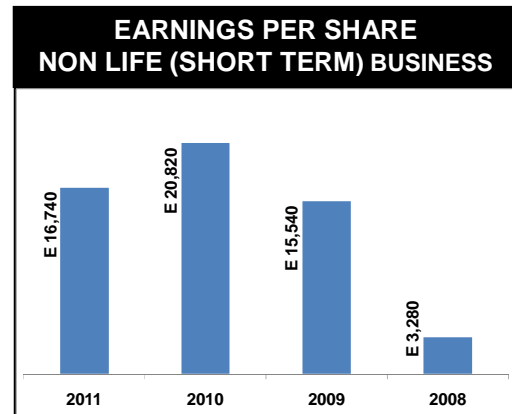
Gross written premium decreased by 1, 60 %



Underwriting surplus decreased by 5, 90%



Shareholders' funds grew by 9, 98 %



Earnings per share decreased by 19, 60%

Life (long-term) business

The life insurance business achieved a surplus of E32, 2 million (2010: E37, 8 million). The primary reasons for the decrease in operating surplus from life insurance business were:

- data correction on Lilunga investment policies
- Modeling changes on Lilunga unit linked policies
- Marginal reserve strain on annuities.
- The effects of a highly competitive market.

Solvency levels and capital adequacy

The Corporation non-life (short-term) insurance business remains well capitalized with strong solvency levels. As at 31 December 2011 the non-life solvency levels stood at E342, 5 million (2010: E310, 6 million) compared to the minimum industry standard of E87, 0 million (40 percent of net written premium).

The life insurance business is also well capitalized with excess assets over liabilities of E161, 0 million (2010: E147, 2 million). As at 31 December 2011 the SRIC's Capital Adequacy Requirement (CAR) was E78, 4 million (2010: E55, 0 million).

In line with industry's best practice, the Corporation has a policy of maintaining Capital Adequacy Requirement (CAR) of at least twice the Ordinary Capital Adequacy Requirement (OCAR) be retained within the Corporation i.e. free assets of at least E156, 8 million and to pay up to a maximum of 50 percent as dividend of the surplus assets over and above twice OCAR. For the year under review E11, 0 million (2010: E18, 5 million) was paid as dividend from the life insurance business.

Dividend Declaration

I am pleased that the Corporation's improved capital position has enabled the Board to recommend a dividend of E160 million for the year ended 31 December 2011, (2010: E60 million) for payment on 15 May 2012 to holders of Ordinary Shares on the register at close of business on 11 May 2012. The total dividend of E160 million is made up of:

- Normal dividend of E60 million, E49, 0 million non-life (short-term) and E11, 0 million from life business. (2010: E60 million, E41, 5 million non-life (short-term) and E18, 5 million life (long-term) business)
- Special dividend of E100 million from non-life (short-term). The special dividend is to align our solvency level requirements with our risk appetite policy.

Valuation of the Life Fund

The Actuarial valuation of the life (long-term) insurance business as at 31 December 2011 shows that the value of assets exceeds the value of liabilities by E161, 0 million (2010: E147, 2 million). The excess of assets over liabilities of E161.0 million (2010: E147.2 million) gives a realistic and also prudent picture of the accumulated profits of the Corporation's life operations from inception to the valuation date including the effect of capital injections and transfers to shareholders.

The primary reasons for this increase are:

- Lower than expected death claims and improvements in surrender profit
- Good profits on group risk business.
- Normal emergence of expected profit from policy book.
- Improved profits on Individual business, with a key driver being lower expenses than expected.

Bonus Declaration to Policyholders

The bonus recommendation to policyholders is a significant part of the responsibility of the actuary. The factors which need to be taken into account include:

- Bonus supported by current year surplus.
- Policyholder expectations of current and future bonus.
- Company policy regarding stabilization of bonus rates.
- Solvency position.
- Pension schemes should receive a return that is a fair reflection of the investment return achieved on their funds.
- Comparison is also made with other providers of Deposit Administration (DA) contracts to ensure that rates declared are competitive.

Bonus rates declared for policy holders were decreased in line with the investment returns achieved over the year. The bonus rates declared for 2011 were as follows.

- Pension Funds (Deposit Administration contract) 7 percent (2010: 12 percent)
- Lilunga and Insika Savings policies 8 percent (2010: 14 percent)

Strategic priorities

The Corporation is committed to providing world class service to its customers and building on its history of being of service to the Swazi Nation for over 38 years. In that regard the Corporation continue to focus on the following areas of its strategy.

- Customer service
- Effective underwriting considerations
- Good risk management

- Optimal capital utilization
- Cost containment and efficiencies

This approach has served the Corporation well and it remains committed to it into the future more so in this era of competition. The aim is to deliver solid and consistent performance for shareholders, policyholders and to secure jobs for our personnel.

Corporate Governance

Collectively, the Corporations' Directors have a wide range of business-related expertise, as well as significant experience in insurance, financial and commercial related activities. Directors are appointed on the basis of skill, acumen, experience and actual level of contribution on the activities of the Corporation.

Sound governance principles remain one of the top priorities of the Corporation's Board and Management. All directors are non-executive. The Board has set-up sub-committees comprising Board Members to which Management reports. The Board and the sub-committees meet at least once every quarter or more regularly as the business of the Corporation may demand. The sub-committees are: the Audit Committee, Investment Committee, Executive Committee and the Remuneration Committee. Various external experts are also engaged to provide additional independent expertise to the Board. These experts include auditors; both external and internal, actuaries, risk managers, reinsurance consultants and investment managers.

Corporate Code of Conduct

The Corporation is committed to:

- Trading with customers and intermediaries who subscribe to good ethical business practices.
- The highest standards of integrity in all its dealings with its stakeholders and society at large.
- Carrying-on business through fair commercial competitive practices.
- Being responsive towards environmental and social sustainability programmes.
- Social responsibility programmes.

A Word of Appreciation to SRIC's Intermediaries

We continue to benefit from the expertise and intermediary services of our Brokers and Agents. About 85% of our business is transacted through Brokers and we are continually grateful for their support.

A Word of appreciation to the Insuring Public

A special word of appreciation goes to all our valued clients for their trust, partnership and patronage.

Transparent selling of SRIC's products

The Corporation markets and sells a wide range of products and services. These products include:

- Life assurance, (both group and individual) pension and investment savings.
- Fire and Engineering.

- Marine.
- Motor.
- House Owners and House Holders.

Our philosophy is to sell and market these products in an honest and transparent way, which will build trust with our customers, our more than adequate capitalization ensures that the policyholders will have a peace of mind that the Corporation will be able to meet his/her claim in the event of loss. The promise for prompt settlement of claims is the promise we have been able to meet over the years irrespective of the size of the claim.

The Board

On behalf of my Board colleagues, I express our sincere appreciation for the continued dedication of the Corporation's employees during 2011.

I wish to assure the insuring public that I, and my fellow Board members and management will focus our attention in ensuring that the Corporation delivers a world class service to our customers at competitive prices and provide value to our shareholders.

The Directors and Management are confident that the Nation's Insurer (SRIC) has a good strategic plan and has adequate resources to deliver good results in both long-term and short-term sections of the insurance industry in the foreseeable future.

Mr. Kenneth Mbuli
Chairman

30 April 2012

AGGREGATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

	Notes	2011 E	2010 E
Insurance premium revenue	9	465 798 281	430 228 521
Insurance premium ceded to reinsurers	9	(111 996 926)	(113 967 063)
Net insurance premium revenue	9	353 801 355	316 261 458
Fee income from policyholders			
- Insurance contracts	6	4 300 078	4 213 866
- Investments contracts	6	9 484 050	8 230 892
Commission income	20	23 612 553	29 151 762
Investment income	3	64 428 833	57 564 726
Net realised fair value gains on financial assets	4.1	36 022 540	42 501 846
Fair value gains on investment property	4.2	8 202 200	9 750 655
Net unrealised fair value (loss)/gains on financial assets	5	(14 260 414)	39 950 400
Interest income from policyholder loans		4 315 458	4 692 485
Other operating income		29 594	14 000
Net income		489 936 247	512 332 090
Insurance contracts benefits - long-term	10	(154 293 212)	(143 232 708)
Insurance contracts claims and loss adjustment expenses - short-term	10	(104 597 302)	(102 551 409)
Insurance claims and loss adjustment expenses recovered from reinsurers – short-term	10	12 843 843	2 853 197
Net insurance benefits and claims		(246 046 671)	(242 930 920)
Expenses for the acquisition of insurance and investment contracts	20	(48 415 833)	(46 572 337)
Management expenses	2.1	(63 654 598)	(60 586 764)
Asset management expenses	2.2	(3 670 849)	(5 263 677)
Expenses		(115 741 280)	(112 422 778)
Profit before income tax		128 148 296	156 978 392
Income tax expense	7	(28 918 876)	(35 847 943)
Profit for the year		99 229 420	121 130 449
Other comprehensive income			
Gains on revaluations of land and buildings	11, 22	6 481 510	2 040 000
Other comprehensive income for the year		6 481 510	2 040 000
Total comprehensive income for the year		105 710 930	123 170 449

AGGREGATED STATEMENT OF FINANCIAL POSITION
at 31 December 2011

	Notes	2011 E	2010 E
ASSETS			
Intangible assets	12	320 313	524 397
Property, plant and equipment	11	34 504 408	29 058 569
Investment property	13	77 000 000	68 000 000
Financial assets – Held to maturity	14	35 497 034	35 690 325
Financial assets - At fair value through profit or loss	14	988 523 531	934 851 299
Deferred acquisition costs	19	7 006 838	7 715 214
Reinsurance assets	18,30.1	68 256 914	60 976 699
Loans and receivables including insurance receivables	15	85 814 076	82 075 655
Cash and cash equivalents	17	185 430 641	144 333 111
Total assets		1 482 353 755	1 363 225 269
EQUITY			
Capital and reserves attributable to the Corporation's equity holders			
Share capital	21	4 000 000	4 000 000
Revaluation reserves	22	22 946 987	16 465 477
Retained earnings	23	476 548 324	437 318 904
Total equity		503 495 311	457 784 381
LIABILITIES			
Policyholders' liabilities		927 178 670	843 560 895
Insurance liabilities – Insurance contracts	30.1	795 705 334	726 914 281
Insurance liabilities – Investment contracts	31	131 473 336	116 646 614
Deferred income tax liability	16	4 106 293	10 855 109
Reinsurance liabilities	24	5 455 507	359 236
Insurance and other payables	25	24 917 581	19 637 091
Provisions for other liabilities and charges	27	7 391 308	6 750 416
Current income tax liability	26	9 809 085	24 278 141
Total liabilities		978 858 444	905 440 888
Total equity and liabilities		1 482 353 755	1 363 225 269