

SINGAPORE REINSURANCE CORPORATION LIMITED  
(Company Registration No. 197300016C)

Second Quarter Financial Statements Announcement For The Period Ended 30 June 2012

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) An income statement and statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE PERIOD ENDED 30 JUNE 2012

	GROUP					
	1st Half	1st Half	Incr/	2nd Qtr	2nd Qtr	Incr/
	2012	2011	(decr)	2012	2011	(decr)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	59,724	53,656	11.3	32,094	28,881	11.2
<b>Income statements:</b>						
<b>Reinsurance operations:</b>						
Gross written premiums	56,652	50,083	13.1	30,496	26,947	13.2
Reinsurance premiums	(33,346)	(28,129)	18.5	(18,890)	(15,821)	19.4
Net written premiums	23,306	21,954	6.2	11,606	11,126	4.3
Gross transfer (to)/from provision for unexpired risks	(1,547)	445	nm	(1,311)	494	nm
Reinsurance transfer from/(to) provision for unexpired risks	1,041	(895)	nm	1,037	(359)	nm
Net earned premiums	22,800	21,504	6.0	11,332	11,261	0.6
Gross claims incurred	(49,359)	(20,697)	138.5	(25,007)	(14,465)	72.9
Reinsurers' share of claims incurred	30,373	10,735	182.9	17,404	9,538	82.5
Net claims incurred	(18,986)	(9,962)	90.6	(7,603)	(4,927)	54.3
Commission expense	(15,392)	(15,886)	(3.1)	(8,753)	(8,518)	2.8
Commission income	9,961	8,634	15.4	5,693	4,692	21.3
Net commission expense	(5,431)	(7,252)	(25.1)	(3,060)	(3,826)	(20.0)
Management expenses	(3,584)	(3,001)	19.4	(1,333)	(1,519)	(12.2)
Underwriting results	(5,201)	1,289	nm	(664)	989	(167.1)
Net investment income	6,042	4,223	43.1	2,120	2,459	(13.8)
Net income from reinsurance operations (i)	841	5,512	(84.7)	1,456	3,448	(57.8)
<b>Non-reinsurance operations:</b>						
Net investment income	3,555	3,964	(10.3)	1,664	3,105	(46.4)
Other operating income	3,131	3,650	(14.2)	1,650	1,907	(13.5)
Management expenses	(2,860)	(3,067)	(8.7)	(1,525)	(1,551)	(1.7)
Net income from non-reinsurance operations (ii)	3,826	4,547	(15.9)	1,789	3,461	(48.3)
Profit before income tax (i + ii)	4,667	10,059	(53.6)	3,245	6,909	(53.0)
Income tax expense	(722)	(1,358)	(46.8)	(409)	(953)	(57.1)
Profit for the period	3,945	8,701	(54.7)	2,836	5,956	(52.4)
<b>Profit attributable to:</b>						
Equity holders of the Company	3,860	8,577	(55.0)	2,806	5,901	(52.4)
Non-controlling interests	85	124	(31.5)	30	55	(45.5)
Profit for the period	3,945	8,701	(54.7)	2,836	5,956	(52.4)

<b>Statement of comprehensive income:</b>						
Profit for the period	3,945	8,701	(54.7)	2,836	5,956	(52.4)
<b>Other comprehensive income:</b>						
Revaluation of property, plant and equipment	82	(6)	nm	83	1	nm
<b>Available-for-sale financial assets:</b>						
Reclassification of gain on sale of investments to income statement	(3,769)	(2,998)		(600)	(2,668)	(77.5)
Reclassification of impairment write-down on investments to income statement	-	175	(100.0)	-	175	(100.0)
Change in fair value of investments	4,662	1,983	135.1	(568)	997	(157.0)
Income tax relating to components of other comprehensive income	(452)	355	nm	319	389	(18.0)
<b>Other comprehensive income for the period, net of income tax</b>	<b>523</b>	<b>(491)</b>	<b>(206.5)</b>	<b>(766)</b>	<b>(1,106)</b>	<b>(30.7)</b>
<b>Total comprehensive income for the period</b>	<b>4,468</b>	<b>8,210</b>	<b>(45.6)</b>	<b>2,070</b>	<b>4,850</b>	<b>(57.3)</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	4,387	8,094	(45.8)	2,040	4,805	(57.5)
Non-controlling interests	81	116	(30.2)	30	45	(33.3)
<b>Total comprehensive income for the period</b>	<b>4,468</b>	<b>8,210</b>	<b>(45.6)</b>	<b>2,070</b>	<b>4,850</b>	<b>(57.3)</b>
<b>Profit for the period has been arrived at after crediting/(charging):</b>						
Income relating to subsidiaries non-reinsurance operations*	3,287	3,729	(11.9)	1,660	1,968	(15.7)
Operating expenses relating to subsidiaries non-reinsurance operations*	(2,562)	(2,766)	(7.4)	(1,360)	(1,393)	(2.4)
Exchange loss	(181)	(615)	(70.6)	(26)	(360)	(92.8)
Allowances for doubtful debts and bad debts written (off)/back	(556)	(93)	nm	60	(154)	(139.0)
Gain on sale of investments	3,769	2,998	25.7	600	2,668	(77.5)

nm

not meaningful

- included subsidiaries' revenue and costs on services rendered such as management, computer advisory and consultancy, publishing, organising of conferences and advertising

Note: certain comparative figures have been reclassified to conform with the current year's presentation

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Assets</b>				
Property, plant and equipment	23,663	23,700	23,594	23,629
Investment properties	14,105	14,089	14,105	14,099
Reinsurers' share of insurance contract provisions for				
- outstanding claims	214,573	199,289	214,573	199,289
- unexpired risks	20,999	19,958	20,999	19,958
Interests in subsidiaries	-	-	1,211	1,211
Financial assets	286,983	284,371	285,548	283,004
Club membership	18	18	-	-
Insurance receivables	42,633	33,112	42,633	33,112
Other receivables	4,721	4,426	3,028	3,195
Cash and cash equivalents	46,462	53,376	43,901	50,812
<b>Total assets</b>	<b>654,157</b>	<b>632,349</b>	<b>649,592</b>	<b>628,309</b>
<b>Equity attributable to equity holders of the Company</b>				
Share capital	123,300	123,300	123,300	123,300
Reserves	15,976	15,449	15,923	15,344
Accumulated profits	59,181	58,347	57,689	57,379
	198,457	197,096	196,912	196,023
<b>Non-controlling interests</b>	<b>593</b>	<b>512</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>199,050</b>	<b>197,608</b>	<b>196,912</b>	<b>196,023</b>
<b>Liabilities</b>				
Insurance contract provisions for				
- outstanding claims	371,876	351,602	371,876	351,602
- unexpired risks	38,405	36,858	38,405	36,858
Insurance payables	37,177	39,121	37,177	39,121
Other payables	4,554	4,763	2,314	2,577
Current tax payable	1,026	940	839	666
Deferred taxation	2,069	1,457	2,069	1,462
<b>Total liabilities</b>	<b>455,107</b>	<b>434,741</b>	<b>452,680</b>	<b>432,286</b>
<b>Total equity and liabilities</b>	<b>654,157</b>	<b>632,349</b>	<b>649,592</b>	<b>628,309</b>

1(b)(ii) Aggregate amount of the group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30.6.2012		As at 31.12.2011	
S\$'000			
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30.6.2012		As at 31.12.2011	
S\$'000			
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collaterals

Not applicable.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	30.6.2012	30.6.2011
	S\$'000	S\$'000
<b>Operating activities</b>		
Profit before income tax	4,667	10,059
Adjustments for:		
Insurance contract provisions for net unexpired risks	506	450
Insurance contract provisions for net outstanding claims	4,990	2,247
Impairment losses on investments	-	175
Change in fair value of investment properties	(6)	45
Gain on sale of investments	(3,769)	(2,998)
Depreciation and amortisation of property, plant and equipment and intangible asset	154	171
Interest income	(4,657)	(4,435)
Dividend income	(1,181)	(1,389)
Others	3	(4)
	<u>707</u>	<u>4,321</u>
Changes in working capital:		
Insurance receivables	(9,521)	(1,037)
Other receivables	(237)	(96)
Insurance payables	(1,944)	(4,308)
Other payables	(208)	35
Cash flows used in operations	<u>(11,203)</u>	<u>(1,085)</u>
Income tax paid	(632)	(786)
Cash flows used in operating activities	<u>(11,835)</u>	<u>(1,871)</u>
<b>Investing activities</b>		
Interest received	4,576	4,082
Dividends received	1,181	1,389
Purchase of investments	(23,823)	(31,070)
Proceeds from sale of investments	26,051	34,136
Purchase of property, plant and equipment	(38)	(65)
Proceeds from sale of property, plant and equipment	-	12
Cash flows from investing activities	<u>7,947</u>	<u>8,484</u>
<b>Financing activities</b>		
Dividends paid	(3,026)	(4,842)
Decrease in deposits pledged	16	44
Cash flows used in financing activities	<u>(3,010)</u>	<u>(4,798)</u>
Net (decrease)/increase in cash and cash equivalents	(6,898)	1,815
Cash and cash equivalents at beginning of the year (exclude pledged assets)	52,459	42,595
Cash and cash equivalents at end of the period	<u>45,561</u>	<u>44,410</u>
Pledged cash equivalents	901	857
Cash and cash equivalents at end of the period including pledged deposits	<u>46,462</u>	<u>45,267</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share Capital S\$'000	Fair Value Reserves S\$'000	Revaluation Reserves S\$'000	Accumulated Profits S\$'000	Total attributable to equity holders of the Company S\$'000	Non- Controlling Interests S\$'000	Total Equity S\$'000
<b>GROUP</b>							
At 1 January 2012	123,300	6,421	9,028	58,347	197,096	512	197,608
<b>Total comprehensive income for the period:</b>							
Net profit	-	-	-	3,860	3,860	85	3,945
<b>Other comprehensive income:</b>							
Revaluation of property, plant and equipment	-	-	82	-	82	-	82
Available-for-sale financial assets:							
Reclassification of gain on sale of investments to income statement	-	(3,754)	-	-	(3,754)	(15)	(3,769)
Change in fair value of investments	-	4,651	-	-	4,651	11	4,662
Income tax relating to components of other comprehensive income	-	(449)	(3)	-	(452)	-	(452)
<b>Total other comprehensive income, net of income tax</b>	-	448	79	-	527	(4)	523
<b>Total comprehensive income for the period</b>	-	448	79	3,860	4,387	81	4,468
<b>Contributions by and distributions to owners:</b>							
Final dividend paid of 0.5 cent per share tax exempt in respect of year 2011	-	-	-	(3,026)	(3,026)	-	(3,026)
<b>Total contributions by and distributions to owners</b>	-	-	-	(3,026)	(3,026)	-	(3,026)
<b>At 30 June 2012</b>	<b>123,300</b>	<b>6,869</b>	<b>9,107</b>	<b>59,181</b>	<b>198,457</b>	<b>593</b>	<b>199,050</b>
<b>At 1 January 2011</b>	<b>123,300</b>	<b>13,382</b>	<b>6,098</b>	<b>64,388</b>	<b>207,168</b>	<b>532</b>	<b>207,700</b>
<b>Total comprehensive income for the period:</b>							
Net profit	-	-	-	8,577	8,577	124	8,701
<b>Other comprehensive income:</b>							
Revaluation of property, plant and equipment	-	-	(6)	-	(6)	-	(6)
Available-for-sale financial assets:							
Reclassification of gain on sale of investments to income statement	-	(2,986)	-	-	(2,986)	(12)	(2,998)
Reclassification of impairment write-down on investments to income statement	-	175	-	-	175	-	175
Change in fair value of investments	-	1,979	-	-	1,979	4	1,983
Income tax relating to components of other comprehensive income	-	349	6	-	355	-	355
<b>Total other comprehensive income, net of income tax</b>	-	(483)	-	-	(483)	(8)	(491)
<b>Total comprehensive income for the period</b>	-	(483)	-	8,577	8,094	116	8,210
<b>Transactions with owners, recorded directly in equity:</b>							
<b>Contributions by and distributions to owners:</b>							
Final dividend paid of 0.8 cent per share tax exempt in respect of year 2010	-	-	-	(4,842)	(4,842)	-	(4,842)
<b>Total contributions by and distributions to owners</b>	-	-	-	(4,842)	(4,842)	-	(4,842)
<b>At 30 June 2011</b>	<b>123,300</b>	<b>12,899</b>	<b>6,098</b>	<b>68,123</b>	<b>210,420</b>	<b>648</b>	<b>211,068</b>

	Share Capital S\$'000	Fair Value Reserves S\$'000	Revaluation Reserves S\$'000	Accumulated Profits S\$'000	Total S\$'000
<b>COMPANY</b>					
At 1 January 2012	123,300	6,316	9,028	57,379	196,023
<b>Total comprehensive income for the period:</b>					
Net profit	-	-	-	3,336	3,336
<b>Other comprehensive income:</b>					
Revaluation of property, plant and equipment	-	-	82	-	82
<b>Available-for-sale financial assets:</b>					
Reclassification of gain on sale of investments to income statement	-	(3,640)	-	-	(3,640)
Change in fair value of investments	-	4,641	-	-	4,641
Income tax relating to components of other comprehensive income	-	(501)	(3)	-	(504)
<b>Total other comprehensive income, net of income tax</b>	<b>-</b>	<b>500</b>	<b>79</b>	<b>-</b>	<b>579</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>500</b>	<b>79</b>	<b>3,336</b>	<b>3,915</b>
<b>Contributions by and distributions to owners:</b>					
Final dividend paid of 0.5 cent per share tax exempt in respect of year 2011	-	-	-	(3,026)	(3,026)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,026)</b>	<b>(3,026)</b>
At 30 June 2012	123,300	6,816	9,107	57,689	196,912
<b>At 1 January 2011</b>					
At 1 January 2011	123,300	13,212	6,098	63,389	205,999
<b>Total comprehensive income for the period:</b>					
Net profit	-	-	-	7,897	7,897
<b>Other comprehensive income:</b>					
Revaluation of property, plant and equipment	-	-	(6)	-	(6)
<b>Available-for-sale financial assets:</b>					
Reclassification of gain on sale of investments to income statement	-	(2,959)	-	-	(2,959)
Reclassification of impairment write-down on investments to income statement	-	175	-	-	175
Change in fair value of investments	-	1,944	-	-	1,944
Income tax relating to components of other comprehensive income	-	349	6	-	355
<b>Total other comprehensive income, net of income tax</b>	<b>-</b>	<b>(491)</b>	<b>-</b>	<b>-</b>	<b>(491)</b>
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(491)</b>	<b>-</b>	<b>7,897</b>	<b>7,406</b>
<b>Contributions by and distributions to owners:</b>					
Final dividend paid of 0.8 cent per share tax exempt in respect of year 2010	-	-	-	(4,842)	(4,842)
<b>Total contributions by and distributions to owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,842)</b>	<b>(4,842)</b>
At 30 June 2011	123,300	12,721	6,098	66,444	208,563

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The financial figures have not been audited or reviewed by the Group's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not Applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited annual financial statements as at 31 December 2011, except for those disclosed under item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In 2012, the Group applied the Amendments to Financial Reporting Standard (FRS) 12 Income Taxes - Deferred Tax : Recovery of Underlying Assets. There is no financial impact on the financial results of the Group arising from the adoption of the revised standard.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	GROUP			
	1st Half 2012	1st Half 2011	2nd Qtr 2012	2nd Qtr 2011
Basic and diluted earnings per share (cents)	0.64	1.42	0.46	0.98
Number of ordinary shares issued ('000)	605,220	605,220	605,220	605,220

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and  
(b) immediate preceding financial year.

	GROUP		COMPANY	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
Net asset value per share (cents)	32.79	32.57	32.54	32.39

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
  - (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Comparison of 2nd quarter 2012 vs 2nd quarter 2011

In 2nd quarter 2012, the Group's revenue rose 11.2% to S\$32.1 million due mainly to new business and timing difference in booking. Net claims incurred was 54.3% higher at S\$7.6 million due largely to a further increase in case reserves for the devastating floods in Thailand which took place last year. Consequently, there was an underwriting deficit of S\$664,000 equivalent to 5.7% of net written premium, compared to the S\$989,000 surplus or 8.9% of net written premium in the corresponding quarter in 2011. Net investment income declined by 32% to S\$3.8 million, from the S\$5.6 million in the same period a year ago, attributed mainly to lower profit on sale of equity investments. Overall, the Group's profit before income tax of S\$3.2 million in 2nd quarter of 2012 was 53% lower than the S\$6.9 million recorded in the same period in preceding year.

Comparison of 6 months 2012 vs 6 months 2011

For the period ended 30 June 2012, the Group's revenue rose 11.3% to S\$59.7 million, attributed mainly to new business, higher premiums reported by some cedants, as well as timing difference in booking. If the timing difference in bookings for large accounts were eliminated, the Group's revenue would increase 8.8% to S\$55 million. The net claims incurred rose 90.6% to almost S\$19 million, attributed primarily to an increase in case reserves set aside for the 2011 Thailand floods, equivalent to an incurred loss ratio (of net written premium) of 81.5%, compared to 45.4% in the corresponding period last year. Reinsurance management expenses increased 19.4% to S\$3.6 million due to higher general provision for bad and doubtful debts. If the general provision for bad and doubtful debts were excluded, reinsurance management expenses would be 1.4% higher than same period last year but the management expense ratio (of net written premium) would be better at 13.1%, compared to 13.7% a year earlier, an improvement of 0.6-percentage points. Resulting from the foregoing, an underwriting deficit of S\$5.2 million was recorded, compared to the S\$1.3 million surplus in the same period last year.

The net investment income rose 17.2% to S\$9.6 million due to higher profit on sale of equity investments as well as higher interest income. Overall, the Group's net profit before income tax was S\$4.7 million, 53.6% lower than the S\$10.1 million reported in the corresponding period last year, attributed mainly to the underwriting deficit.

As far as it can be ascertained, the loss estimates for the devastating floods in Thailand have likely stabilised and believed to be adequate. However, the progress in adjusting claims at source has been markedly slow thus far. Consequently, the concern over a still unknown quantity of backlog of outstanding cases remains. Except for the foregoing, in the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the balance sheet date and the date of this announcement which is likely to affect substantially the results of the operations of the Company and of the Group for the current financial year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The general pullback in capacity by reinsurance companies with a presence in the region continues to gather pace. A number of players have evidently reduced their risk appetites, in an effort to preserve their capital after the unprecedented spate of severe natural peril losses in the recent years. However, there are also indications that new entrants to the market are increasingly focusing their attention on Asia. Compounding the difficult situation is the already over-crowded primary markets in the region with intensifying competition. Consequently, the operating environment is expected to be challenging.

On the investment front, the market conditions remain volatile as the onslaught of negative news on socio-political and economic uncertainties globally continue unabated.



11. **DIVIDEND - If a decision regarding dividend has been made:-**

(a) Current financial period reported on

Any dividend declared for the current financial period reported on? Yes

Name of dividend

Interim

Dividend type

Cash

Gross dividend amount per share (in cents)

0.50

Tax rate

Tax exempt

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of dividend

Interim

Dividend type

Cash

Gross dividend amount per share (in cents)

0.70

Tax rate

Tax exempt

(c) The date the dividend is payable

The proposed interim dividend will be paid on 12 September 2012.

(d) Books closure date

Notice is hereby given that the Share Transfer Books and Register of Members will be closed on 31 August 2012 for the preparation of dividend warrants. Duly completed transfers received by the Company's Share Registrar, M&C Services Private Limited, 138 Robinson Road, #17-00 The Corporate Office, Singapore 068906, up to 5.00 p.m. on 30 August 2012 will be registered before entitlements to the proposed dividend are determined. Shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares in the capital of the Company as at 5.00 p.m. on 30 August 2012 will be entitled to the dividend.

12. **If no dividend has been declared (recommended), a statement to that effect.**

Not applicable.

13. **If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

The Group did not obtain general mandate from shareholders for IPTs.

14. **Negative confirmation pursuant to Rule 705(5).**

The Board of Directors of the Company hereby confirm that, to the best of their knowledge and belief, nothing has come to the attention of the Board of Directors which may render the unaudited group financial results for the period ended 30 June 2012 to be false or misleading.

**BY ORDER OF THE BOARD**

Gerard Seah Jim Hong

Company Secretary

7 August 2012

**NOTE:** This announcement can be accessed at our Corporate website at <http://www.singre.com.sg>