GREAT EASTERN HOLDINGS LIMITED

ANNUAL REPORT

2018

Great Eastern

A member of the OCBC Group

CONTENTS

LIVE THE GREAT LIFE

At Great Eastern, we remain focused on our LIFE company purpose to empower our customers and the community to live healthier and better as we strive to make insurance an enjoyable everyday experience.

The digital elements featured in this year's annual report are symbolic of how we have embraced digital transformation to further propel our business forward and to empower our customers to LIVE THE GREAT LIFE.

WHO WE ARE

We are a LIFE company.

WHAT WE BELIEVE IN

Our customers are at the heart of all that we do.

WHAT WE DO

Inspiring people to LIVE GREAT.

KEY FIGURES
PERFORMANCE HIGHLIGHTS FY2018

S$741 MILLION
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

S$85,042 MILLION
TOTAL ASSETS

S$13,440 MILLION
EMBEDDED VALUE

S$12,239 MILLION
GROSS PREMIUMS

S$636 MILLION
OPERATING PROFIT AFTER TAX

60 CENTS
DIVIDEND PER SHARE[1]

S$536 MILLION
ECONOMIC VALUE OF ONE YEAR'S NEW BUSINESS

S$7,437 MILLION
SHAREHOLDERS' EQUITY

S$11,729 MILLION
MARKET CAPITALISATION[2]

1 This includes the interim one-tier tax exempt dividend of 10 cents per ordinary share and a final one-tier tax exempt dividend of 50 cents per ordinary share for the financial year ended 31 December 2018.
2 This is calculated using Shares Outstanding of 473,319,069 shares and last traded price in FY2018 of S$24.78 (31 December 2018).

VISION
To be the leading financial service provider in Asia, recognised for our excellence.

MISSION
To make life great by providing financial security, and promoting good health and meaningful relationships.

CORE VALUES
- INTEGRITY
- INITIATIVE
- INVOLVEMENT

ETHOS
Great Eastern is always acting in the best interests of our customers with Fair Dealing as the basis of our business.

Leading with GREAT vision

At Great Eastern, we embrace the present even as we look towards the future. Guided by our core values of integrity, initiative and involvement, we continue to pave the way forward through innovation and new technologies to stay nimble and relevant in today's digital economy.

From our GETGREAT and UPGREAT digital platforms with industry-first features to our comprehensive suite of protection and financial solutions and services, we continue to forge ahead to create greater value for our customers and the community.

Enabling with GREAT Passion

People are what make an organisation great.

At Great Eastern, we are passionate about empowering growth and strive to bring out the best in our people. We believe in creating an engaging and inclusive environment that enables personal and professional development, where our people can grow with the company and realise their fullest potential.


A Community Project by
GREAT EASTERN CARES
AWWA
GREAT EASTERN CARES
and
OCBC Bank
DATE 16/12/2018
Five Hundred Dollars
$5,500


Great Eastern

Driving with GREAT purpose

We believe life is truly greater when we make someone else's life better.

At Great Eastern, we believe in making a meaningful difference in the communities we work in and adding value to the lives around us. Through our Great Eastern Cares initiatives across the region, our employees and financial representatives volunteer their time and talent to do good, inspiring others to go the extra mile for the betterment of society.

KOH BENG SENG
Chairman

KHOR HOCK SENG
Group Chief Executive Officer

LETTER TO SHAREHOLDERS

S$**741**
MILLION
PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Dear Shareholders,

2018 was a challenging year in terms of the external environment. Interest rate hikes, U.S. Federal Reserve's normalisation in the size of their balance sheet, as well as the trade and geopolitical tensions resulted in a sharp increase in the volatilities in the capital and financial markets that impacted our Group Profit Attributable to Shareholders, which declined by 29% to S$740.7 million.

Despite the challenging market conditions, our Operating Profit from Insurance Business continued its growth momentum and registered a 4% rise for the year, underscoring the strength of our core business.

We continued to maintain our leadership position in our core markets of Singapore and Malaysia. Our takaful business in Malaysia and our operations in Indonesia also registered good growth.

Over the last two years, we made significant progress in our digital transformation, which is at the heart of our strategy to ensure that Great Eastern remains relevant and nimble, as well as top-of-mind to our customers who expect a convenient and engaging digital experience. Our strong digital push will enable us to serve them better and provide a differentiated customer experience, further enhance our distribution capability, capture growth opportunities and further propel our business forward.

We will continue to pursue a disciplined and prudent strategy to grow our franchise across our key markets, anchored firmly on our customer-centred ethos of making insurance an enjoyable everyday experience for customers.

Across the Group, we stepped up efforts to strengthen and deepen the relationship with our customers as we strive to optimise customer lifetime value.

Using analytics, we harnessed our huge customer database to transform these data into valuable insights. This in turn enabled us to better understand our customers and engage them more meaningfully to meet their needs.

During the year, we paid out S$601 million of bonuses to Great Eastern participating (par) fund policyholders. Over 750,000 eligible policyholders received an additional one-off special bonus, which increased their regular bonus for 2017 by at least 25%. We are committed to optimising returns for our policyholders and will continue to proactively manage the long-term performance of our par funds.

We celebrated Great Eastern's 110th anniversary with a slew of events in our various markets. Not many companies locally nor globally enjoy the distinction of having over a century of rich legacy and heritage. We can all take pride in being part of a company that has been at the forefront of Asia's insurance industry, a brand trusted by generations of customers.

We remain committed to the highest standards of corporate governance and sustainable long-term value creation. We strengthened our compliance and control processes across the Group and fostered an effective compliance culture.

FINANCIAL PERFORMANCE

In 2018, the Group's Total Weighted New Sales declined by 6% to S$1,235.1 million compared to the same period last year. New Business Embedded Value, a measure of long-term economic profitability, decreased 3% correspondingly.

The Group's operating profit from insurance business continued its growth momentum and achieved a 4% increase, underscoring the strength of our core business. This was driven by both the Singapore and Malaysia insurance businesses.

On a full year basis, the Group's profit attributable to shareholders decreased by 29% mainly due to lower valuation of investments as a result of unfavourable financial market conditions in 2018, particularly in the last quarter of the year. In contrast, financial year 2017 registered exceptionally good returns from higher valuation and sale of investments.

We are committed to enhancing shareholder value. The Directors have recommended the payment of a final one-tier tax exempt dividend of 50 cents per ordinary share. Upon shareholders' approval, the final dividend will be paid on 8 May 2019. Including the interim one-tier tax exempt dividend of 10 cents per ordinary share paid in August 2018, total dividends for the financial year 2018 would amount to 60 cents per ordinary share.

STRENGTHENING OUR DISTRIBUTION CAPABILITIES

Our agency force plays a significant role to help deliver our brand promise to our customers.

Towards this end, a key focus was to digitally equip our agency force to have better quality engagement with customers as well as enhance efficiency, productivity and boost professionalism. This is done through a new digital platform, Great Digital Advantage. One of the digital tools on this platform is GreatAdvice, a highly interactive financial planning tool based on a life storyboard concept. The first of its kind in the market, GreatAdvice enables our financial planners to provide guidance to customers to make more informed decisions regarding their needs, and provide a more engaging and seamless customer experience. Other digital tools assist our financial planners to more efficiently manage performance, seamlessly consolidate customers' insurance portfolio as well as provide more timely answers to their queries round-the-clock.

We continued to invest in best-in-class training programmes, which included new digital modules and micro-learning, to help our financial representatives enhance their product knowledge and core competencies.

To cater for the expansion of our agency force, work is underway to relocate our Changi agency branch office to new premises at Paya Lebar Quarter in the second half of 2019.

On the bancassurance front, we continued to strengthen our collaboration with our bank partners to reach out to untapped market segments.

LEVERAGING GROUP SYNERGIES

As an integral member of the OCBC Group, our synergistic partnership with OCBC Bank continued to produce good results.

Drawing from our strengths, we succeeded in capturing new growth opportunities, capitalising on our collective expertise and networks as well as our huge customer base.

In Singapore, we collaborated closely with OCBC Bank to provide a more comprehensive range of insurance solutions to the bank's customers, which further spurred the growth of our General Insurance business.

In Singapore and Malaysia, we leveraged the bank's goal-based advisory initiative to tap into opportunities provided by the bank's different customer segments to cross-sell and up-sell our insurance products and services.

In Indonesia, our strategic collaboration with OCBC NISP to offer a wider product range for different customer segments continued to be the key driver of our business growth.

BUILDING DIGITAL AFFINITY PARTNERSHIPS

Building digital affinity partnerships is an integral part of our digital transformation strategy as we strive to bring seamless access, compelling benefits and services as well as broader value to the everyday lives of our customers.

Partnerships were inked with Samsung, Sembcorp Power, ActiveSG, Caregiver Asia and Qoo10, to name a few, to further build partnerships that will not only benefit our customers but also bring insurance services tailored to the needs of the customers of these partners.

ENHANCING OUR CUSTOMER PROPOSITION

A key focus was to leverage our digital and analytical capabilities to identify patterns and trends that fuelled our product development and customer initiatives. Through our online community platforms – Great Voices and Great Conversations – we engaged customers and the agency force to obtain feedback. We leveraged the valuable insights obtained to co-design products and services to better meet the needs of our customers.

Armed with analytical insights, we were well placed to customise our communication as well as offer customised solutions to key customer segments, adding greater value to our overall customer proposition. This has improved customer loyalty and boosted customer lifetime value.

These included our *GREAT TripleCare MoneyBack Special* campaign where our policyholders enjoyed the benefit of a Guaranteed Issuance Offer as well as simplified applications for single-premium special tranches such as *GREAT270*.

To deepen and broaden customer engagement in everyday interactions and experiences, we launched GETGREAT, the first-of-its-kind wellness platform with a wellness coach powered by artificial intelligence offering personalised coaching 24/7 to nudge users towards their personal wellness goals, and UPGREAT, a single mobile platform where customers can seamlessly enjoy all their loyalty benefits and rewards digitally anywhere and anytime. The response has been good, with more than 80,000 sign-ups, 65% active engagement rate and over 3.6 million interactions.

ENHANCING CUSTOMER EXPERIENCE THROUGH IMPROVED EFFICIENCY AND AUTOMATION

As part of our ongoing efforts to make it more seamless and convenient for our customers to interact and do business with us, we digitalised and automated key customer touch points. Another key focus was on process improvements to bring greater convenience to our customers.

Customers who have signed up for PayNow can enjoy the convenience of having their policy pay-outs digitally transferred to their bank accounts. We upgraded our call centre system which, with its auto call-back feature, reduced waiting time for customers.

With our commitment to be environmentally sustainable, we offered our Singapore customers the option of electronic bonus statements. For our new customers in Malaysia, we introduced digital policy contracts – ePolicy – which we will be rolling out to Singapore in 2019.

Dedicated claims counters were set up at our Agency Service Centres at our Westgate and Changi offices to provide one-stop service to our financial representatives that enabled them to revert to customers in a shorter period of time. We also set up a dedicated team of underwriters to work with our financial representatives to service high-net-worth customers.

Customers can look forward to greater convenience in 2019 with the launch of our enhanced digital platform for claims submissions.

GROWING OUR GENERAL INSURANCE BUSINESS

In December 2018, our wholly-owned subsidiary, Great Eastern General Insurance Limited, entered into a share purchase agreement to acquire 100% of the shares in PT QBE General Insurance Indonesia from QBE Asia Pacific Holdings Limited and QBE Insurance (International) Pty Limited.

The acquisition is part of our broader business strategy to further build our general insurance operations into a significant business pillar for the Great Eastern Group and to deepen our footprint in Indonesia.

The acquisition of PT QBE General Insurance Indonesia is a strategic fit to Great Eastern as it provides us the opportunity to offer both general and life insurance solutions to a country that has a fast growing economy and the largest population in South East Asia of over 260 million. Coupled with the fact that Indonesia's non-life insurance penetration rate is among the lowest in the region, the market potential is tremendous.

The transaction is expected to be completed in the first half of 2019, subject to regulatory approval from Otoritas Jasa Keuangan (OJK) and the Monetary Authority of Singapore (MAS).

CHANGES TO REGULATORY LANDSCAPE

Several key new and revised regulations and consultation papers were issued during the year. These included:

- To address the growing concern of data exposure and misuse of the National Registration Identification Card and Other National Identification (collectively known as "NRIC") numbers, the Singapore Personal Data Protection Commission issued a new advisory guideline, which will take effect from 1 September 2019, to restrict the collection, use or disclosure of NRIC numbers unless it is required under the law or necessary to accurately establish or verify the identities of the individuals to a high degree of fidelity.

- In response to the deepening of the cyber threat landscape, MAS issued a consultation paper on cyber hygiene prescribing a set of essential cyber security practices that financial institutions must put in place to manage cyber threats to ensure the safety and soundness of its systems.

- To address the heightened market conduct risk due to large-scale movements of financial advisory ("FA") representatives from one FA firm to another, MAS issued a consultation paper on measures to address the risks posed by the use of sign-on incentives in the recruitment of FA representatives.

- MAS issued the revised Code of Corporate Governance ("Code"), which will take effect for Annual Reports covering financial years commencing from 1 January 2019, to clarify the comply-or-explain regime. Key changes made to the revised Code are aimed at encouraging board renewal, strengthening director independence and enhancing board diversity.

- In November 2018, the International Accounting Standards Board announced a tentative decision to defer the effective date of implementation of IFRS 17 (Insurance Contracts) to annual periods beginning on or after 1 January 2022. IFRS 17 replaces IFRS 4 and the new standard when implemented will, among others, significantly change the way insurers recognise revenue, measure the value of insurance contracts and presentation of financial statements.

- In Malaysia, Bank Negara Malaysia issued the guidelines on the use of open Application Programming Interface, which took effect on 2 January 2019, to promote innovations with appropriate security controls, legal and governance measures necessary to protect customers' confidentiality and financial institutions' core systems.

- In Indonesia, a new regulation was enacted to provide clarification of the law relating to ownership and foreign participation in the insurance industry. The new regulation, which came into force on 18 April 2018, provides that the maximum limit on foreign ownership in a privately owned insurance company is capped at 80%. Insurance companies that are currently with foreign ownership in excess of the 80% limit will be exempt from this requirement for the existing shareholdings.

Great Eastern entities have taken steps to comply with these new and revised regulations. Feedback on consultation papers have also been promptly submitted to the respective regulators.

HUMAN CAPITAL

Our people set us apart and are our most vital resource. We are committed to being an employer of choice and to providing a conducive work environment for staff to grow together with the company. We strongly believe in cultivating a work environment that fosters collaboration and innovative thinking, anchored on the shared values and responsibilities of 'Moving Together As One'.

We continue to provide opportunities for our employees to grow in their careers across our businesses and geographies, to develop and fulfill their professional aspirations within the Group and to continuously acquire and upgrade skills and expertise through our structured training programmes.

Our Making Life Great workshops and townhalls were key platforms to engage employees on company goals and developments while our LIFE Programme succeeded in motivating employees to embrace a healthy lifestyle that has contributed to enhancing their productivity at the work place.

Testament to our successful efforts, the Group's employee engagement score improved to 75%, ranking Great Eastern among the best employers in Asia by Aon Hewitt.

Recognising that digital innovation is the catalyst to take our business forward, we held our inaugural Digital Skills Learning Carnival where employees learnt about new technologies and digital trends.

GIVING BACK TO THE COMMUNITY

As a responsible corporate citizen, we are committed to making a meaningful difference.

We recognise that the prosperity and well-being of the communities we operate in are intertwined with our sustainability as a business and we are committed to building a sustainable future, guided by our core values of integrity, initiative, and involvement.

In conjunction with our 110th anniversary, we launched Great Eastern Cares to lend greater focus to the company's corporate social responsibility efforts and programmes to promote active volunteerism and caring for the community among our 3,800 staff and 23,000-strong agency force across the Group.

During the year, a wide range of Great Eastern Cares events were held in our various markets helmed by our volunteers. These ranged from a mega charity car wash to a futsal tournament for needy children; and from providing clean water and energy in villages to raising financial literacy among school children and the community. Regular LIVE GREAT health and wellness talks and workshops were also organised to promote the importance of a healthy lifestyle.

SUSTAINABLE DEVELOPMENT

As a responsible insurer, we recognise the need to incorporate principles of sustainability in our everyday business decisions.

Our Sustainability Steering Committee has shortlisted five Sustainable Development Goals to focus on – Good Health and Well-Being, Affordable and Clean Energy, Decent Work and Economic Growth, Industry Innovation and Infrastructure, as well as Climate Action.

Our Sustainability Report can be found on pages 52 to 80.

ACCOLADES

Across the Group, we received accolades and recognition throughout the year.

Our brand ranking improved to sixth out of 100 top Singapore brands. Brand Finance, the world's leading independent intangible asset and brand valuation consultancy, valued the Great Eastern brand at US$1.67 billion.

We garnered the runner-up award for the Most Transparent Company in the Finance Category at the Securities Investors Association Singapore (SIAS) 19th Investors' Choice Awards for excellence in transparency standards and corporate governance practices. This is testament to the rigorous standards of corporate governance and transparency that we uphold at Great Eastern.

Our strong efforts at engaging the community continued to be well recognised, with our signature Great Eastern Women's Run in Singapore garnering multiple awards.

In Singapore and Malaysia, we received recognition for brand and innovation excellence as well as excellence in corporate social responsibility and human resource practices. In Indonesia, we were acknowledged for our strong corporate governance, risk management and business practices.

OUTLOOK

We expect 2019 to be an equally challenging year with continuing headwinds and uncertainties in the global economy.

While showing signs of easing, the ongoing U.S.-China trade dispute continues to cause concern while the uncertainty surrounding Brexit and an economic slowdown in Europe and China could create additional headwinds for financial markets.

As the U.S. and other developed markets enter the late part of the economic cycle, financial assets volatility and downside risk could increase because of a general reduction in available liquidity as central banks transition from quantitative easing to policy normalisation.

Hence, we have proactively reduced the risk in our investment portfolio, conserving capital for long-term investment opportunities that arise when financial asset prices adjust to attractive levels.

In addition to proactively managing our market exposures, we are also strengthening our business model and prudently managing costs. This will put us in a good position to invest in areas that fit our strategic business needs.

Increased public awareness on the importance of insurance, rising per capita income, ageing population, a fast-emerging middle class, coupled with a relatively low level of insurance penetration in our major markets of Singapore, Malaysia and Indonesia, present significant business opportunities for us.

We expect our growth momentum in our insurance business to continue as our fundamentals and the demand for insurance in the markets we operate in remain strong.

We will continue to push strongly forward in our digitalisation journey and find innovative ways to enhance our service levels and customer propositions as we strive to grow our business.

ACKNOWLEDGEMENTS

On behalf of the Group, we would like to express our appreciation to the Board of Directors as well as the Boards of our subsidiary companies for their valuable guidance.

Our appreciation also goes to the management team, employees, OCBC Bank, our distribution force, our bancassurance partners and the Union for their unstinting dedication, contributions and hard work.

We also thank our shareholders and customers for their ongoing support and confidence in us.

We remain positive on the long-term growth potential of the markets we operate in.

We will continue to remain agile, nimble and innovative, and continue to invest in our people.

With our strong foundation and fundamentals, we are well positioned to continue to deliver sustainable value to all our stakeholders.

KOH BENG SENG
Chairman

KHOR HOCK SENG
Group Chief Executive Officer

20 March 2019

BOARD OF DIRECTORS

KOH BENG SENG
Chairman

Mr Koh was first appointed to the Board of Great Eastern Holdings Limited (the "Company") on 2 January 2008 as a non-executive Director and was appointed as Chairman of the Company on 1 September 2014. He was last re-elected as the Company's Director on 19 April 2018. Mr Koh was appointed Chairman of the Company's principal insurance subsidiaries, namely, The Great Eastern Life Assurance Company Limited ("Great Eastern Life") and Great Eastern General Insurance Limited ("GEG") on 1 September 2014. He is the Chief Executive Officer of Octagon Advisors Pte. Ltd. He is also a Director of Bank of China (Hong Kong) Limited and BOC Hong Kong (Holdings) Limited.

Mr Koh was previously Deputy President of United Overseas Bank Ltd ("UOB") and a Director of Far Eastern Bank Ltd, Fraser and Neave, Limited, Hon Sui Sen Endowment CLG Limited, Japan Wealth Management Securities Inc, Sing-Han International Financial Services Limited, Singapore Technologies Engineering Ltd, United Engineers Limited and UOB. He also served as a Member of the advisory team to the International Monetary Fund on reforms to Thailand's financial sector. Mr Koh was previously with the Monetary Authority of Singapore ("MAS") for 24 years until 1998, his last appointment being Deputy Managing Director, Banking and Financial Institution Group.

Mr Koh holds a Bachelor of Commerce (First Class Honours) from the former Nanyang University, Singapore, and a Master of Business Administration from Columbia University, USA. Age 68.

NORMAN IP

Mr Ip was first appointed to the Board of the Company on 5 March 2010 and was last re-elected as the Company's Director on 18 April 2017. Mr Ip served as Acting Group Chief Executive Officer of the Company from 1 July 2014 to 1 November 2015. He is a Director of the Company's principal insurance subsidiaries, including Great Eastern Life, GEG and Chairman of several of the Company's subsidiaries in Malaysia. He is the Chairman of WBL Corporation Limited and a Director of AIMS AMP Capital Industrial REIT Management Limited. He is presently a Senior Adviser of United Engineers Limited. He is also the Deputy Chairman of the Building and Construction Authority and a Member of Securities Industry Council.

Mr Ip was previously the Group Managing Director of United Engineers Limited and Chairman of Malaysia Smelting Corporation Berhad and UE E&C Ltd as well as a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange. He is a Chartered Accountant by training and has over 33 years of experience in finance and investments, real estate and managing companies. From 2000 to 2009, he was President and Group Chief Executive Officer of The Straits Trading Company Limited ("STC"), the main activities of which are in real estate, mining and hospitality. Prior to joining STC in 1983, he was with Ernst & Whinney (now known as Ernst & Young LLP).

Mr Ip holds a Bachelor of Science (Economics) from the London School of Economics and Political Science. He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. Age 66.

Mr Ip will be seeking re-election at the Company's 2019 Annual General Meeting ("AGM"). Please refer to pages 246, 247 and 252 for information required under Rule 720(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

LAW SONG KENG

Mr Law was first appointed to the Board of GEH on 1 January 2013 and was last re-elected as the Company's Director on 19 April 2018. He is the Chairman of Concord Insurance Company Limited, Frasers Hospitality Asset Management Pte. Ltd. and Frasers Hospitality Trust Management Pte. Ltd. He is also a Director of ACR Capital Holdings Pte. Ltd., Asia Capital Reinsurance Group Pte. Ltd., Asia Capital Reinsurance Malaysia Sdn Bhd and IFS Capital Limited.

Mr Law was previously Deputy Managing Director (Administration and Insurance) at the MAS, Managing Director and Chief Executive Officer of The Overseas Assurance Corporation Limited (now known as "Great Eastern General Insurance Limited") as well as a Member of Central Provident Fund Board. Mr Law was also a Director of Inland Revenue Authority of Singapore ("IRAS") until September 2010 and Manulife (Singapore) Pte Ltd until September 2012.

Mr Law holds a Bachelor of Science (First Class Honours in Mathematics) from the University of Singapore and a Master of Science (Actuarial Science) from the Northeastern University, USA. He is a Fellow of the Society of Actuaries, USA, and was awarded the Public Service Star (BBM) in 2001. Age 74.

LEE FOOK SUN

Mr Lee was first appointed to the Board of the Company on 1 August 2017 and was last re-elected as the Company's Director on 19 April 2018. He is the Chairman of Ensign Infosecurity Pte. Ltd. and Ensign Infosecurity (Cybersecurity) Pte. Ltd. (*formerly known as Quann World Pte. Ltd.*) and the Deputy Chairman of SMRT Trains Ltd. He is a Director of SMRT Corporation Ltd, the Chairman of Building and Construction Authority, a Director on the board of DSO National Laboratories and a Corporate Adviser of Temasek International Advisors Pte. Ltd.

Mr Lee was previously the Deputy CEO and President of Defence Business of Singapore Technologies Engineering Ltd and the President of Singapore Technologies Electronics Limited prior to his retirement in December 2016 after 17 years with Singapore Technologies Engineering. Prior to this, he served in the Singapore Armed Forces as a Director of Joint Intelligence Directorate, Director of Military Security Department and Assistant Chief of General Staff (Logistics).

Mr Lee holds a Bachelor of Arts (Honours) and a Master of Arts (Engineering Science) from the University of Oxford (UK) and attended the Stanford University Executive Programme. Age 62.

BOARD OF DIRECTORS

KYLE LEE KHAI FATT

Mr Lee was first appointed to the Board of the Company on 1 July 2014 and was re-elected as the Company's Director on 18 April 2017. He is also a Director of Great Eastern Life.

Mr Lee trained as a Chartered Accountant in London, and in his professional career spanning of 36 years, he has worked in both United Kingdom and Singapore. He was a partner of Price Waterhouse and PricewaterhouseCoopers LLP until 2010, holding leadership positions at firm, practice, industries and sector levels.

As a non-executive, independent Director of other public and private companies, Mr Lee held Chairmanship of Board, Audit Committee and Nomination Committee positions. These include CapitaLand Mall Trust Management Limited, ComfortDelgro Corporation Limited, FEO Hospitality Trust Management Pte. Ltd., Jurong International Holdings Pte. Ltd., MFS Technology Ltd and WBL Corporation Limited, among others.

Mr Lee is a Fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. Age 66.

Mr Lee will be seeking re-election at the Company's 2019 AGM. Please refer to pages 249 and 252 for information required under Rule 720(6) of the Listing Manual of the SGX-ST.

SOON TIT KOON

Mr Soon was first appointed to the Board of the Company on 1 January 2016 and was last re-elected as the Company's Director on 19 April 2018. He is a Director of OCBC Wing Hang Bank Limited, SPH REIT Management Pte. Ltd. and Wah Hin & Company Private Limited. Mr Soon held a series of senior positions in Oversea-Chinese Banking Corporation Limited ("OCBC Bank") from 2002 to December 2011 when he retired from the bank. He was the Chief Financial Officer of OCBC Bank from September 2002 to June 2008, and from April 2010 to November 2011. He was the Head of Group Investments of OCBC Bank from June 2008 to April 2010. Prior to joining OCBC Bank, Mr Soon was the Chief Financial Officer of Wilmar Holdings Pte Ltd from 2000 to 2002. From 1983 to 2000, he worked in Citicorp Investment Bank (Singapore) Limited and was Managing Director from 1993 to 2000.

Mr Soon holds a Bachelor of Science (Honours) in Applied Chemistry from the University of Singapore and a Master of Business Administration from University of Chicago, USA. He also completed the Advanced Management Program at Harvard Business School. Age 67.

TEOH LIAN EE

Mrs Teoh was first appointed to the Board of the Company on 1 August 2017 and was last re-elected as the Company's Director on 19 April 2018. She is a Director of Asian Healthcare Investment Pte Ltd and a Director of Tsao Foundation.

Mrs Teoh has extensive experience in the fields of tax law and trust law. She was previously a Consultant of Rajah & Tann LLP. Prior to joining Rajah & Tann LLP, she has served in the public sector for IRAS for a total of 19 years and as a practicing lawyer in the private sector, specializing in tax and trust law, for more than 20 years.

Mrs Teoh holds a Master of Laws and Bachelor of Laws (Second Upper Class Honours) from the University of Singapore. Age 67.

THEAN NAM YEW

Mr Thean was first appointed to the Board of the Company on 5 January 2017 and last re-elected as the Company's Director on 18 April 2017. He has more than 24 years of experience in consulting, technology, change and transformation delivery and his experience is mainly focused on working with C-level executives to create strong linkages between transformation programs to the respective clients' business agenda. He has extensive financial services industry experience and has been working with large financial institutions in the ASEAN region. Mr Thean was previously with Accenture Pte Ltd from 1992 to 2016.

Mr Thean holds a Bachelor of Electrical and Electronic Engineering (First Class Honours) from the University of Melbourne, Australia and has completed an Advanced Business Management Programme from the Kellogg Graduate School of Management, Northwestern University, Illinois, USA. Age 51.

BOARD OF DIRECTORS

SAMUEL N. TSIEN

Mr Tsien was first appointed to the Board of the Company on 15 April 2012 and was last re-elected as the Company's Director on 18 April 2017. He was a Director of GEG until 1 January 2014.

Mr Tsien is the Group Chief Executive Officer and Executive Director of OCBC Bank. Prior to these appointments, he was the Senior Executive Vice President and Global Head, Global Corporate Bank overseeing the corporate and commercial banking business at OCBC Bank. Mr Tsien is also Chairman of OCBC Wing Hang Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. He is a Director of Mapletree Investments Pte Ltd and International Monetary Conference. He also serves on the boards of major OCBC Group companies, including Bank of Singapore Ltd, OCBC Bank (Malaysia) Berhad, and OCBC Wing Hang Bank Limited. He is the Vice Chairman of the Association of Banks in Singapore and The Institute of Banking and Finance, a Member of the MAS Financial Centre Advisory Panel and MAS Payments Council.

Prior to joining OCBC Bank, Mr Tsien was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation.

Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles, USA. Age 64.

Mr Tsien will be seeking re-election at the Company's 2019 AGM. Please refer to pages 251 and 252 for information required under Rule 720(6) of the Listing Manual of the SGX-ST.

WEE JOO YEOW

Mr Wee was first appointed to the Board of the Company on 1 January 2016 and last re-elected as the Company's Director on 19 April 2016. He has more than 39 years of corporate banking experience. He was Managing Director and Head of Corporate Banking Singapore at UOB until his retirement in June 2013. Prior to that, he was Executive Vice President and Head of Corporate Banking with Overseas Union Bank Ltd and Head, Credit and Marketing with First National Bank of Chicago (Singapore). He is presently a Director of several companies, including Frasers Property Limited, Mapletree Industrial Trust Management Ltd., Oversea-Chinese Banking Corporation Limited and PACC Offshore Services Holdings Ltd.

Mr Wee holds a Master of Business Administration from New York University, USA and a Bachelor of Business Administration (Honours) from the University of Singapore. Age 71.

Mr Wee will be seeking re-election at the Company's 2019 AGM. Please refer to page 252 for information required under Rule 720(6) of the Listing Manual of the SGX-ST.

BOARD OF DIRECTORS

PRINCIPAL INSURANCE SUBSIDIARIES IN SINGAPORE

THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED

Koh Beng Seng[1], Chairman

Mimi Ho

Norman Ip[1]

Kyle Lee Khai Fatt[1]

Leo Mun Wai

Quah Wee Ghee

GREAT EASTERN GENERAL INSURANCE LIMITED

Koh Beng Seng[1], Chairman

Mimi Ho

Norman Ip[1]

Leo Mun Wai

Quah Wee Ghee

1 Please refer to the "Board of Directors" section on pages 16 and 18 in the Annual Report 2018 for the profiles of Mr Koh Beng Seng, Mr Norman Ip and Mr Kyle Lee Khai Fatt.

BOARD OF DIRECTORS – PRINCIPAL INSURANCE SUBSIDIARIES IN SINGAPORE

MIMI HO

Ms Ho was first appointed to the Boards of The Great Eastern Life Assurance Company Limited ("Great Eastern Life") and Great Eastern General Insurance Limited ("GEG") on 17 April 2013 and 1 January 2014 respectively. She is a Director of Asia Pacific Clear Pte. Ltd., Asia Pacific Exchange Pte. Ltd., Partner Reinsurance Asia Pte. Ltd. and Regulatory Professionals Pte Ltd.

Ms Ho was previously a Director of Central Provident Fund Board, a Director and Member of the Finance Committee of Assisi Hospice as well as an Executive Director with the Monetary Authority of Singapore ("MAS") from March 1998 to September 2008 in various capacities including Insurance Supervision, Capital Markets Supervision, Financial Markets Development and Chief Representative for MAS in New York and London. She was also a Member of the Disciplinary Committee for Casino Regulatory Authority. Prior to that, she was the Chief Financial Officer and Appointed Actuary for Prudential Assurance Company Singapore (Pte.) Limited from February 1994 to February 1998.

Ms Ho holds a Bachelor in Mathematics and Master in Mathematical Statistics, both from Columbia University. She is a Fellow of the Society of Actuaries, USA and also a Financial Industry Certified Professional (FICP) for Compliance. Age 64.

LEO MUN WAI

Mr Leo was first appointed to the Boards of Great Eastern Life and GEG on 15 April 2016 . He is presently an independent consultant.

Mr Leo was previously a Managing Director and Adviser of State Street Bank & Trust, Singapore and a Senior Partner of Capelle Consulting Singapore. He was also a Director and Audit Committee Member of the Casino Regulatory Authority from 2008 to 2012 and a Member of Securities Industry Council from 2010 to 2012. Mr Leo was previously with the MAS for 20 years until 2012 in various capacities including Assistant Secretary of Securities Industries Council, Senior Deputy Director of Supervisory Policy, Director of Human Resource Department, Executive Director of External Department, Executive Director of Banking Supervision, his last appointment being Assistant Managing Director of Capital Markets Group.

Mr Leo holds a Bachelor of Accountancy (Second Upper Honours) from National University of Singapore and a Masters of Finance, International Finance from RMIT University. He also completed the International Executive Programme at INSEAD. Age 52.

QUAH WEE GHEE

Mr Quah was first appointed to the Boards of Great Eastern Life and GEG on 1 March 2012 and 1 January 2014 respectively. Mr Quah is a Partner of Avanda LLP, and a Director of Avanda Investment Management Pte. Ltd., Bank of Singapore Ltd, Cypress Holdings Private Limited and Oversea-Chinese Banking Corporation Limited. He is an Adviser of Investment Committee of Wah Hin & Company (Pte) Ltd.

Mr Quah was previously the Chairman of SLF Strategic Advisers Private Limited, a Director of EDBI Pte Ltd, Singapore Exchange Limited and Singapore Labour Foundation, a Member of Board of Trustees of Singapore University of Technology and Design, Managing Director and President of GIC Asset Management Pte Ltd, the Chairman of Investment Committee and a Member of Evaluation Committee of Ministry of Health Holdings Pte Ltd, and Adviser to the Executive Committee of Government of Singapore Investment Corporation Pte Ltd.

Mr Quah holds a Bachelor of Engineering (Civil Engineering) from the National University of Singapore. He is a Chartered Financial Analyst and Alumni Member of the Stanford Graduate Business School. In 2010, he was awarded the Institute of Banking and Finance Distinguished Financial Industry Certified Professionals title. Age 58.

KEY EXECUTIVES

From left:
WEE AI NING, JIMMY TONG, RONNIE TAN,
KHOR HOCK SENG, DATO KOH YAW HUI,
BEN TAN AND CLEMENT LIEN

From left:
CHIN WEE CHEAK, COLIN CHAN, JENNIFER WONG PAKSHONG,
JAMES LEE, RAYMOND ONG,
PATRICK KOK, RYAN CHEONG AND GARY TEH

KEY EXECUTIVES

KHOR HOCK SENG
Group Chief Executive Officer

With Great Eastern since November 2015. Over 30 years of insurance experience and has held senior leadership positions in major multinational insurance companies. Responsible for the overall strategic direction and business growth for the Great Eastern Group.

Qualifications: Bachelor of Arts with a major in Actuarial Studies and Statistics, Macquarie University, Australia; Certificate of Actuarial Techniques, London Institute of Actuaries, UK.

RONNIE TAN
Group Chief Financial Officer

With Great Eastern since 2002. Responsible for Corporate Finance, Actuarial, Accounting, Financial Controls and Tax functions for the Group, as well as Investor Relations.

Qualifications: BSc in Business Administration (Highest Distinction), University of Nebraska-Lincoln; Chartered Financial Analyst; Fellow of the Society of Actuaries.

RAYMOND ONG
Group Chief Risk Officer

With Great Eastern since 2009. Responsible for overall risk management of the Group, including market, credit, liquidity, insurance, operational, technology and compliance risks.

Qualifications: Bachelor of Science, First Class Honours, in Actuarial Mathematics and Statistics from Heriot-Watt University, Edinburgh, UK. Fellow of the Institute of Actuaries, UK.

COLIN CHAN
Managing Director, Group Marketing

With Great Eastern since 1994. Responsible for implementation of marketing and product efforts across the Group, including branding and communications.

Qualifications: Bachelor of Business, Actuarial Science (1st Class Hons), Nanyang Technological University; Fellow of Institute of Actuaries, UK.

BEN TAN
Managing Director, Regional Agency/FA/Bancassurance

With Great Eastern since 2008. Responsible for driving the growth and governance of the Agency, Financial Adviser (FA) and Bancassurance channels across the Group.

Qualifications: Bachelor of Science in Business, Indiana University, U.S.A.

JIMMY TONG
Managing Director, General and Group Insurance

Joined Great Eastern in May 2016. Leads and oversees the General and Group Insurance business across all markets in the Group.

Qualifications: Bachelor of Business Administration, National University of Singapore; Chartered Financial Analyst.

DATO KOH YAW HUI
Chief Executive Officer (Malaysia)

With Great Eastern since 2002. Responsible for the Malaysia Conventional Life business as well as oversees the growth of the company's takaful business.

Qualifications: BSocial Science (Hons) in Economics, Universiti Sains Malaysia; Fellow of Life Management Institute, USA; Registered Financial Planner (RFP); Shariah RFP.

WEE AI NING
Group Chief Investment Officer

Joined Great Eastern in August 2017. Responsible for formulating the Group's investment strategies and management of all investments within the Group.

Qualifications: Bachelor of Economics (Econometrics), Monash University Australia. Chartered Financial Analyst.

GARY TEH (with effect from 10 January 2019)
Managing Director, Group Information Technology

With Great Eastern since January 2019. Responsible for the Group's IT and digitalisation efforts to deliver digital and IT solutions to improve customer experience and to support business growth.

Qualifications: Bachelor of Information Technology (Hons), National University of Malaysia.

PATRICK KOK
Managing Director, Group Operations

With Great Eastern since 2009.Leads and oversees the Customer Service, Underwriting and Claims departments across the Group, with strong focus on delivering customer service excellence.

Qualifications: Associate of Chartered Insurance Institute, UK., B. Engineering (Hons), National University of Singapore

CHIN WEE CHEAK
Head, Group Audit

With Great Eastern since 2009 and the OCBC Group since 1999. Responsible for the independent and objective assessment of the Group's risk management, control and governance processes through internal audit.

Qualifications: BAccountancy (2nd Upper Class Hons), National University of Singapore.

JENNIFER WONG PAKSHONG
Group Company Secretary and General Counsel

With Great Eastern since 2009 and the Group since 1999. Oversees the corporate secretarial and legal functions across all countries.

Qualifications: LLB (Hons), University of Bristol (UK); LLM (with Merit), University College London; Degree of an Utter Barrister, Gray's Inn (UK); admitted as an Advocate and Solicitor of the Supreme Court of Singapore.

JAMES LEE
Managing Director, Group Human Capital

With Great Eastern since 1997. Responsible for human capital and change programmes across the Group, with priority on developing an inclusive and collaborative workplace and high-performance culture.

Qualifications: BBA in Finance, University of Hawaii, USA; Master of Business Administration in Finance, Hawaii Pacific University, USA.

RYAN CHEONG
Managing Director, Strategy & Transformation

With Great Eastern since 2012. Responsible for the formulation of business strategy and transformation programmes across all markets in the Group.

Qualifications: Bachelor of Arts, University of Cambridge; Master of Arts, University of Cambridge; Master of Business Administration, The University of Manchester.

CLEMENT LIEN
Chief Executive Officer (Indonesia)

Joined Great Eastern in January 2015. Responsible for growing the Life business in Indonesia.

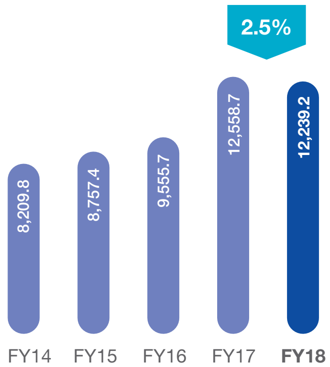
Qualifications: Bachelor of Business Administration (Hons), National University of Singapore. Fellow of Life Management Institute (Distinction), USA.

FINANCIAL HIGHLIGHTS

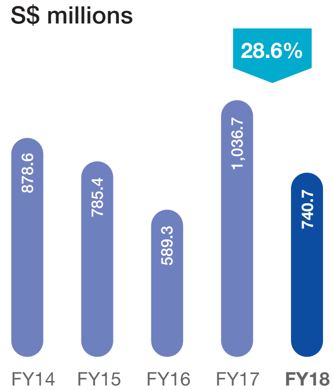
FINANCIAL YEAR ENDED 31 DECEMBER		**2018**	2017[1]	2016	2015	2014
GROUP STATISTICS						
Gross Premiums	(S$millions)	**12,239.2**	12,558.7	9,555.7	8,757.4	8,209.8
Profit Attributable to Shareholders	(S$millions)	**740.7**	1,036.7	589.3	785.4	878.6
Operating Profit after Tax[2]	(S$millions)	**636.1**[3]	600.3	504.2	581.4	590.7
Total Assets	(S$millions)	**85,042.0**	82,347.3	71,123.1	65,820.7	65,677.4
Shareholders' Equity	(S$millions)	**7,436.9**	7,528.7	6,588.9	6,230.4	5,871.8
Stock Exchange Prices[4]	(S$)	**24.78**	27.67	20.31	20.24	23.99
Market Capitalisation[4]	(S$millions)	**11,728.8**	13,096.7	9,613.1	9,580.0	11,354.9
Embedded Value	(S$millions)	**13,440.1**	13,389.1	11,693.8	11,001.4	10,435.5
Economic Value of One Year's New Business	(S$millions)	**535.5**[5]	543.0	466.2	385.2	394.3
GROUP FINANCIAL RATIOS						
Return on Equity[6]	(%)	**9.9**	14.7	9.2	13.0	16.0
Gross Premium Growth	(%)	**-2.5**	31.4	9.1	6.7	2.9
Basic Earnings per share[7]	(S$)	**1.56**	2.19	1.25	1.66	1.86
Diluted Earnings per share	(S$)	**1.56**	2.19	1.25	1.66	1.86
Net Asset Value per share	(S$)	**15.71**	15.91	13.92	13.16	12.41
Embedded Value per share	(S$)	**28.395**	28.288	24.706	23.243	22.047
Economic Value of One Year's New Business per share	(S$)	**1.131**	1.147	0.985	0.814	0.833
Dividend per share	(cents)	**60.0**	70.0	50.0	55.0	55.0

1 The Group adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. With the adoption of SFRS(I), certain figures for 2017 have been restated.
2 Operating Profit after Tax is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus net investment income (dividends, coupon, etc).
3 If translated using the monthly spot rate for 2017, FY18 Operating Profit After Tax would have been S$625.3 million.
4 The Stock Exchange Prices and Market Capitalisation were obtained from Bloomberg.
5 If translated using the monthly spot rate for 2017, FY18 Economic Value of One Year's New Business would have been S$527.6 million.
6 The average of the opening (1 January) and closing (31 December) balances of Shareholders' Equity has been used in the computation of Return on Equity.
7 The Basic Earnings per share were based on the Group's Profit Attributable to Shareholders divided by total paid-up shares.

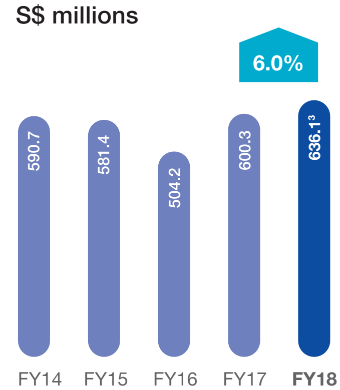
Gross Premiums
S$ millions



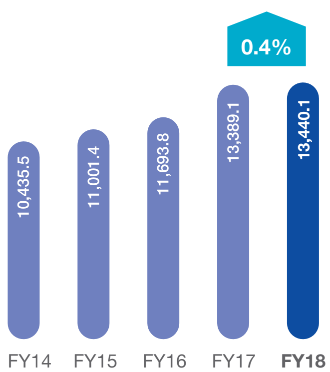
Profit Attributable to Shareholders
S$ millions



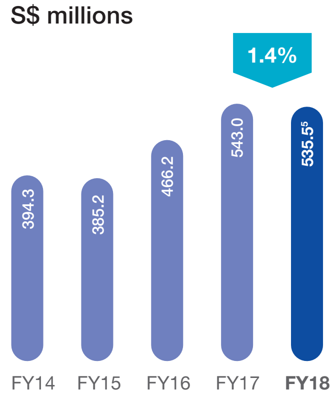
Operating Profit after Tax[2]
S$ millions



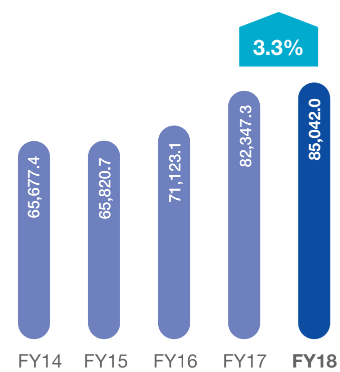
Embedded Value
S$ millions



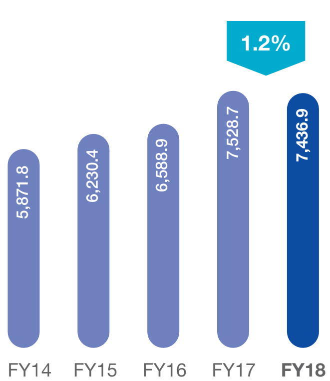
Economic Value of One Year's New Business
S$ millions



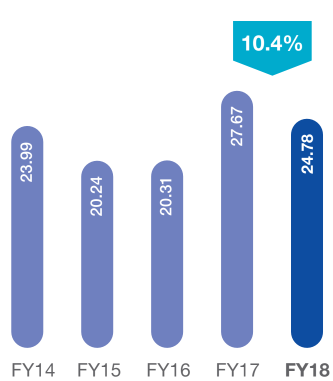
Total Assets
S$ millions



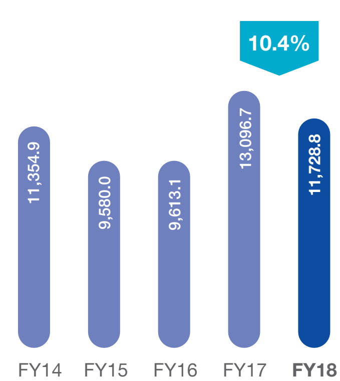
Shareholders' Equity
S$ millions



Stock Exchange Prices[4]
S$



Market Capitalisation[4]
S$ millions



EMBEDDED VALUE

EMBEDDED VALUE

An actuarial embedded value is a commonly used technique to assess the economic value of the existing business of a life insurance company. Looking at a company's distributable profits for a year, or even a few years, is not a reliable guide to its long-term economic value. This is because the timing of distributable profits arising from a profitable insurance policy may involve accounting losses in the initial policy years and higher accounting profits in later years that will make the policy profitable overall. The loss in the initial years is due to the initial expenses of writing new business, combined with the need to meet capital requirements. As a result, in any one year, high growth of business may tend to lower distributable profits. Embedded values have therefore been developed as a way to assess the long-term economic value of a life insurance company for the existing blocks of business.

The embedded value of Great Eastern Holdings Limited ("the Group") has been determined using the traditional deterministic cash flow methodology that has been adopted historically for embedded value reporting, and comprises the sum of the value of In-Force Business and the value of the adjusted Shareholders' Funds.

VALUE OF IN-FORCE BUSINESS

This represents an estimate of the economic value of projected distributable profits to shareholders, i.e. after-tax cash flows less increases in statutory reserves and capital requirements attributable to shareholders, from the In-Force Business at the valuation date, i.e. 31 December 2018. The cash flows represent a deterministic projection, using best estimate assumptions of future operating experience and are discounted at a risk-adjusted discount rate. The use of a risk-adjusted discount rate, together with an allowance for the cost of holding statutory reserves and meeting capital requirements, represent the allowance for risk in the value of In-Force Business together with an implicit allowance for the cost of options and guarantees provided to policyholders. It should be noted that this allowance for risk is approximate and may not correspond precisely with the allowance determined using capital market consistent techniques.

In projecting the value of In-Force Business, the statutory reserve valuation bases and capital requirements are based on the Risk Based Capital framework as set out in local regulations for Singapore, Malaysia and Indonesia.

In Singapore, the Group's asset management company Lion Global Investors Ltd ("LGI") manages a proportion of the Singapore Life Funds' assets for which fees are payable from each Fund. In line with generally accepted traditional embedded valuation methodologies in respect of services provided by asset management companies within our insurance group, the present value of profits arising in LGI from the fees paid by Singapore Life Fund is included in the embedded value and new business value of the Group for the year ended 31 December 2018. Eldershield business is included in the embedded value of the Group without allowing for any potential changes or developments to the portfolio.

ADJUSTED SHAREHOLDERS' FUND

This represents the value of assets over and above that required to meet statutory reserves, capital requirements and other liabilities.

ASSUMPTIONS USED

The assumptions adopted for the calculations have been determined taking into account the recent experience of, and expected future outlook for, the life insurance business of the companies involved, i.e. The Great Eastern Life Assurance Company Limited ("GEL") in Singapore, Great Eastern Life Assurance (Malaysia) Berhad ("GELM") and Great Eastern Takaful Berhad ("GETB") in Malaysia and PT Great Eastern Life Indonesia ("GELI") in Indonesia.

Investment returns assumed are based on the long term strategic asset mix and their expected future returns. The risk-adjusted discount rate used is 7.0% for Singapore, 8.75% for Malaysia and 13.5% for Indonesia.

EMBEDDED VALUE CALCULATION

The value of In-Force Business has been calculated for the life insurance business of GEL in Singapore, GELM and GETB in Malaysia and GELI in Indonesia, along with the adjusted Shareholders' Funds for the Group. The results of the calculations as at 31 December 2018 are as follows:

Embedded Value (S$ millions)	Singapore*	Malaysia^	Total
Life Business			
Value of In-Force Business	5,097	2,760	7,857
Shareholders' Funds and Non-Life Business			
Adjusted Shareholders' Funds	4,898**	685	5,583
Total Embedded Value	9,995	3,445	13,440

* Includes GELI
** Includes businesses in Brunei and Hong Kong
^ Includes GETB.

ECONOMIC VALUE OF ONE YEAR'S NEW BUSINESS

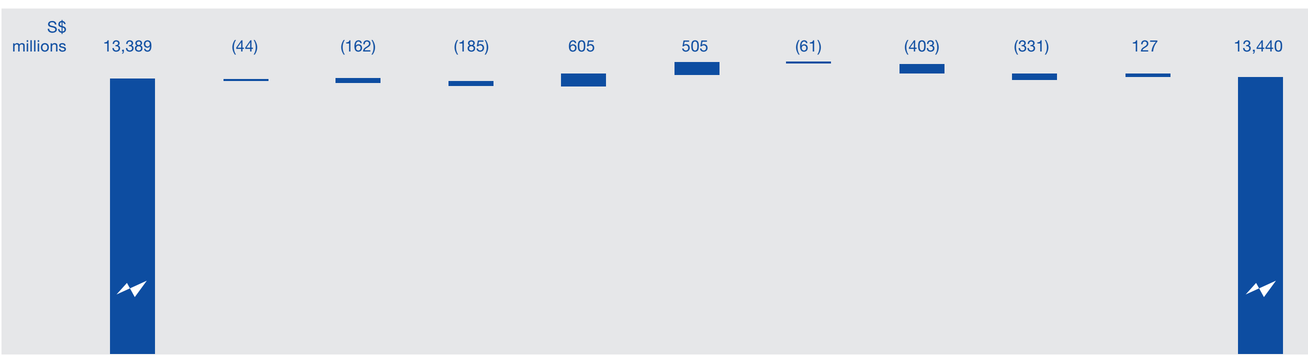
The economic value of one year's new business, defined as the value of projected shareholder distributable profits from new business sold in the year, is used to determine the estimated value of future distributable profits from new sales. Using the same best estimate, reserving and capital requirement assumptions as those used for the In-Force Business, the economic value of business written for the year ended 31 December 2018 has been calculated as follows:

Values (S$ millions)	Singapore	Malaysia*	Others^	Total
Economic Value of One Year's New Business	266	239	31	536

* Excludes GETB.
^ Includes GETB, GELI and Group's regional operations in Brunei.

ANALYSIS OF CHANGE IN EMBEDDED VALUE (S$ MILLIONS)

The chart shows various components accounting for the change in embedded value from the start to the end of the year. The table below the chart provides comparison of the individual components against 2017 analysis results.



	Embedded Value 2017	Opening Adjustment	Operating Assumption Changes	Returns on Shareholders' Funds/Other Businesses	Expected Return on in-Force Business	Value of New Business Written*	Operating Experience Variances	Economic and Non-Operating Variances	Dividends Paid	Ending Adjustment	Embedded Value 2018
2018	13,389	(44)	(162)	(185)	605	505	(61)	(403)	(331)	127^	13,440
2017	11,694	1	153	395	519	528	19	317	(237)	0	13,389

* Excludes values of new business from GETB, GELI and the Group's other regional operations in Brunei.
^ Includes the value of in-force business for GETB and GELI from 2018 onwards.

INDEPENDENT REVIEW

The embedded value, the value of one year's new business and the analysis of change in embedded value during the year were determined by the Group. EY performed a review of the methodology used (based on the traditional deterministic embedded value reporting approach), the assumptions and procedures adopted, the materiality thresholds and limitations and performed a high level review of the results of the Group's calculations.

SCENARIO TESTING

In addition, some scenario tests were conducted using different investment return assumptions and risk-adjusted discount rates. The results are summarised below:

Values (S$ millions)	Base Scenario	Investment +0.5%	Investment -0.5%	Discount Rate +1.0%	Discount Rate -1.0%
Total Embedded Value	13,440	14,058	12,842	12,688	14,338
Economic Value of One Year's New Business	536	600	466	470	607

BUSINESS REVIEW

SINGAPORE

Our Singapore operations, comprising Great Eastern Life Assurance Co Ltd (GELS) and Great Eastern General Insurance (GEG), delivered a resilient performance.

Collectively, these businesses registered S$842.2 million in Total Weighted New Business premiums. This was a 10% year-on-year decrease compared to S$940.1 million in 2017. New Business Embedded Value for the year decreased 19% to S$266.2 million. Our General Insurance business grew by 19% to S$132.1 million in gross written premium.

Our customer-centric strategies focused on reinforcing our LIFE company purpose and strengthening customer relationships. To further drive customer engagement, we harnessed our LIVE GREAT Programme to roll out innovative initiatives to encourage customers to live healthier and better which succeeded in building greater brand affinity and loyalty.

During the year, we significantly digitalised and streamlined key services and customer touchpoints and continued to offer our customers unique value propositions, innovative products and a differentiated customer experience.

We aim to make insurance an enjoyable, everyday experience. A key focus of our customer engagement strategy is to offer a wider range of services and broader value for our customers, enabling them to enjoy not only insurance solutions seamlessly but also access to benefits and value-added services from our partners through our digital affinity ecosystem.

HARNESSING TECHNOLOGY TO ENHANCE CUSTOMER EXPERIENCE AND DRIVE BUSINESS GROWTH

In 2018, we made a significant digital push with the launch of GETGREAT and UPGREAT, two digital platforms with industry-first features to empower and reward customers and the community to live healthier and better. Both platforms were made available to the public, with Great Eastern customers enjoying additional tiered-up benefits and rewards.

GETGREAT adds another exciting dimension to our LIVE GREAT Programme. The first-of-its-kind wellness platform with a wellness coach, GERI, powered by artificial intelligence, users can enjoy personalised coaching 24/7 as they work towards their wellness goals.

Throughout the year, we organised exciting challenges to reward not just individuals but social groups to motivate them on their wellness journey.

UPGREAT provides a single mobile platform where users can seamlessly enjoy all their loyalty benefits and rewards digitally anywhere, any time. We were the first insurer in the region to offer a platform for users to transfer rewards and benefits seamlessly to family and friends.

During the year, we introduced UPGREAT Points and added new partners including KrisFlyer, Shell, Watsons and Robinsons to offer users more choices. In conjunction with our 110th anniversary, we rewarded 110 lucky winners with a total of 1,100,000 UPGREAT Points.

To help customers make more informed decisions regarding their needs, we launched GreatAdvice, a highly interactive financial planning tool. Easy to use and engaging, with GreatAdvice, customers are now empowered to co-create a life storyboard guided by our financial representatives.

FORGING STRATEGIC DIGITAL AFFINITY PARTNERSHIPS

During the year, we announced several strategic partnerships which will further reinforce our brand purpose as well as empower and reward the community to live healthier and better.

We partnered Samsung, a market leader in mobile and wearable technology, to deliver a strong digital proposition in health and wellness to our customers.

One of the elements of the partnership included the integration of GETGREAT with the Samsung Health App. We jointly launched an island-wide team challenge – GearedtoGetGreat 1,000,000 Step Challenge to motivate and reward the community to stay fit. Over 4,000 groups participated and clocked close to 2.85 billion steps.

Samsung mobile app users were also offered special Great Eastern General Insurance promotional deals on home and travel insurance plans through the app.

In line with our LIFE company purpose and to further promote healthier lifestyles, we partnered Sport Singapore to join GetActive! Singapore and the Active Health movement.

We co-activated a new digital challenge titled *GetActive! GetGreat.* The challenge allowed participants to chalk up points by either clocking steps on their ActiveSG app, visiting GetActive! Singapore sport festivals across the island or by booking facilities and programmes at sports centres.

To date, GETGREAT users have chalked up a massive 35 billion steps, through 2 million interactions with GERI, our AI-powered coach which offers all-day personalised coaching to help users achieve their personal wellness goals.

We invested in UCARE.AI, an AI healthcare startup. With its capability to evaluate, categorise, analyse and draw intelligent hypotheses, AI-enabled technology can help make healthcare related services more efficient and cost-effective for our customers and help them achieve better health outcomes.

Caregivers play a vital role and are an integral part of the health ecosystem. We partnered Caregiver Asia to offer a first-of-its-kind professional indemnity insurance to freelance caregivers, with the exception of doctors, registered on CaregiverAsia's platform, www.caregiverasia.com.

With the nationwide launch of the Open Electricity Market, Great Eastern was the first insurer to collaborate with Sembcorp Power to provide home insurance for homeowners across Singapore. Sembcorp Power customers received a complimentary 12-month home contents protection plan underwritten by Great Eastern General Insurance.

We also expanded our suite of UPGREAT partners from which users can redeem rewards, including popular e-shop Qoo10, KrisFlyer, Shell, Universal Studios Singapore, Capitaland and Gain City.

BUILDING BRAND AFFINITY AND CUSTOMER ENGAGEMENT

To celebrate our 110th anniversary milestone, a slew of exciting events were held throughout the year to thank and reward customers for their valued support.

In keeping with our "Celebrate Great" campaign theme, we sponsored events and extended celebratory goodies to customers, business partners and other stakeholders as well as actively amplified our brand across multiple platforms, including print and digital media.

BUSINESS REVIEW – SINGAPORE

We held a social media contest and invited the public to share stories of how they #CelebrateGreatSG. Winning inspiring stories were showcased in a post-contest video which was amplified through press, social and Out-Of-Home channels.

On Great Eastern's birthday, we offered special packs to our LIVE GREAT members where for just $11, they could redeem a Birthday Pack worth over $110 from our selected merchants. This was a great success with the packs snapped up within a short time.

Our Great Eastern Women's Run, a signature event under our LIVE GREAT Programme, continued to attract good participation and was held for the first time at the iconic National Stadium.

Together with the 14,500 participants of all ages, a record 900 of our staff and financial representatives participated in the picturesque run, joined by Guest-of-Honour Ms Grace Fu, Minister for Culture, Community and Youth. The event was also graced by Mr Lim Biow Chuan, Member of Parliament (Mountbatten) and Deputy Speaker of Parliament.

During our anniversary year, we introduced new dimensions to the Run, including a 110-Metre Sprint and Instagrammable photo booths. Exciting treats were also lined up for young participants who enjoyed the bouncy castles, sculpted balloons, face painting and My Little Pony Garden.

The event raised $51,500 in support of two women-related causes – Breast Cancer Foundation and Women's Health Research and Education Fund.

Our #RuntoLiveGreat programme, targeted at helping first-time runners, continued to attract good response, with participants posting and sharing their progress on Facebook which added to the social buzz. Participants were put through a series of high intensity workouts, running and yoga clinics to help them prepare for the Run.

We collaborated with the Singapore Premier League to hold the GREAT 110 Kids Football Tournament in conjunction with the Great Eastern Community Shield. The Great Eastern Amateur League drew good participation from our agency leaders, corporate guests and undergraduates from institutions of higher learning, as well as customers.

Additional events under our LIVE GREAT Programme drove positive engagements of our brand with key customers segments and in tandem created good customer engagement platforms for our financial representatives.

These included health and wellness workshops at our Live Great Space; celebratory events such as Babies' Bash for our key Parents with Young Children customer segment and "Halfway to One" which provided mothers a fun opportunity to bond with their newborns.

In celebration of our 110th Anniversary, to help customers live healthier and better, we launched the LIVE GREAT 110 Challenge. Customers who purchased a new policy and registered for the challenge were rewarded with up to $300 worth of UPGREAT points when they completed 110,000 steps through our GETGREAT app.

To thank customers during our milestone year for their continued support, we rewarded them with LIVE GREAT Treats from February through November 2018, where all our policyholders who are LIVE GREAT members could redeem monthly treats from our merchant partners.

To create more special LIVE GREAT moments for our customers, we were the presenting sponsor for the hugely-popular Sanctuary World Tour concert by JJ Lin and rewarded our policyholders with priority booking to this sold-out concert in August.

We succeeded in reaching out to a good number of concert-goers who took up our gift bundle offer which included a complimentary 3-month Personal Accident Plan. This provided us valued opportunities to further engage them in the near future.

MEETING CUSTOMER NEEDS WITH INNOVATIVE PRODUCT SOLUTIONS

In 2018, we further enhanced our product suite with differentiated solutions to meet our customers' evolving needs.

We revamped our endowment savings portfolio which included *Flexi Cashback*, *Flexi Goal* and *GREAT Wealth Multiplier* – our flagship endowment product for 2018 which garnered good take up from both agency and bancassurance channels.

To thank our loyal customers, we launched *GREAT TripleCare MoneyBack Special*, where we offered an attractive 20% premium discount and guaranteed issuance. Policyholders who do not make a claim at the end of the policy term will receive 100% of total paid premiums.

This unique money-back feature stemmed from inputs received from Great Voices, our online customer community where we invite and engage customers to provide feedback to help us design products and services to meet their needs.

Launched in conjunction with our 110th anniversary, *GREAT Personal Protector* offered the highest protection of up to $3 million upon severe disablement in Singapore, at affordable premiums.

Our single-premium limited tranche products -- *GREAT270* and *GREAT220* – attracted tremendous response within a very short period not only from our existing but also new customers.

On the bancassurance front, products were developed aligned to OCBC Life Goals. These included *GREATLife Endowment Insurance*, *PremierLife Generation II*, and *MAXEndowment Insurance*.

BOOSTING AND GROWING DISTRIBUTION CAPABILITIES

In 2018, we further strengthened our omni-channel distribution model comprising tied agency force, financial advisory firm Great Eastern Financial Advisers (GEFA), our bancassurance partnership with OCBC Bank and Direct Channel.

A key focus during the year was to significantly boost the digital capabilities of our distribution force.

We launched Great Digital Advantage (GDA), a full suite of state-of-the-art digital and performance management tools to digitally equip our financial representatives to enable them to have quality engagement with customers, and in tandem improve efficiency and productivity.

Great Digital Advantage comprises five key pillars:

With GreatAdvice, a highly interactive financial planning tool based on a Life Storyboard concept, the first-of-its-kind in the market, our financial planners are better positioned to provide more value-added guidance to customers to make more informed decisions regarding their needs, and a more seamless customer experience.

By dispensing with manual form filling and considerably shortening the process and time taken for policy application, our financial representatives can better spend their time engaging customers to further build the relationship.

With GreatPlanner, our financial representatives can better manage their sales activities and monitor their sales performance results at a glance. This will significantly improve overall productivity and efficiency.

BUSINESS REVIEW –
SINGAPORE

Leveraging GreatPortfolio, financial representatives can capture customers' insurance policies with a snap, seamlessly consolidate customers' entire policy portfolio and obtain a quick summary to identify and plug protection gaps.

Micro Learning offers bite-sized learning modules for our financial representatives to enhance their knowledge on-the-go.

With our Gerica chatbot, our financial representatives can obtain more timely answers to their queries around-the-clock, which will greatly reduce their turnaround time to revert to customers.

Our distribution force plays a significant role in delivering our brand promise to our customers. As part of our ongoing efforts to develop a well-qualified force, we expanded our training programmes at our Centre for Excellence as well as added e-learning modules to sharpen core competencies and enhance product knowledge.

We introduced "The IGNITE Onboarding Series" to equip new entrants with tools and professional knowledge to enable them to hit the ground running as they commence their career with the company.

Monthly thematic training workshops were also held, with a special focus on digital learning and hands-on familiarisation with our new Great Digital Advantage.

Emphasis was also placed on leadership and management training for greater alignment to industry standards.

To organically grow our agency strength, we continued to reach out to undergraduates from the major local universities through campus sponsorship initiatives and structured programmes to introduce them to the financial services industry.

To further reach out to employees in the various companies island-wide, we incorporated our LIVE GREAT pop-up stores at our roadshows and seminars and also leveraged the opportunities to promote the benefits of UPGREAT & GETGREAT.

To provide dedicated service to our affluent customer base and to support our increasing focus in this area, we established the Prestige Client Office to provide case management to this key customer segment across all channels.

Great Eastern Financial Advisers (GEFA) has grown from strength to strength. With over 1,300 financial consultants, it is the largest financial advisory firm in Singapore. Regular client seminars were held on topics related to investment, retirement and wealth distribution.

GEFA's Premier Client Group (PCG) continued to offer a compelling value proposition to affluent customers. Leveraging the best of GEFA and OCBC Premier Banking, PCG customers have ready access to specially trained consultants who provide holistic solutions from the best of both worlds.

Our bancassurance strategy continued to be anchored on our synergistic partnership with OCBC Bank and provided additional avenues to cross-sell and up-sell our suite of products to an expanded customer base.

To further strengthen collaboration with the bank, we established a dedicated bancassurance middle office team to provide stronger support which in turn boosted operational efficiency.

On the training and development front, we engaged experienced practitioners and master trainers to sharpen competencies anchored on OCBC Life Goals.

ENHANCING OUR GROUP INSURANCE PROPOSITION

A key emphasis was to leverage technology and digitalisation to make it more seamless for our customers to do business with us and improve overall customer experience. We also focused on developing unique product offerings to cater to market needs.

With the launch of eConnect 2.0, employees of our corporate clients can now submit their claims digitally, reducing the time taken by 50%, as well as track the status of their claims conveniently.

eConnect 2.0 also empowers our corporate clients with direct online access to policy documents, invoices, underwriting and claims status of their employees.

With eConnect 2.0, users of our LIVE GREAT and *SupremeCare* mobile applications can locate clinics island-wide, file outpatient and inpatient claims as well as be updated on their claim status seamlessly 24/7.

We launched *Great MozzieSafe* on Qoo10, one of Singapore's popular online portals. We also leveraged the huge customer database and distribution capabilities of OCBC Bank to offer a holistic suite of Group Insurance solutions. Another new product was *GreatBenefits*, which covers hospitalisation, personal accident and term life insurance and offers a compelling health and wellness proposition for employees of Small and Medium Enterprises.

GROWING OUR GENERAL INSURANCE BUSINESS

Our General Insurance business registered good growth, supported by our collaboration with OCBC Bank to deliver solutions to both consumer banking and business banking customers.

A key strategy was to extend our existing services into new digital channels to better serve customers in this hyper-connected world. Our travel insurance is available on the hugely popular Qoo10 e-shop. We also leveraged our large database and analytics capabilities to grow our business across all channels.

The strong contributions from agency and broker channel stemmed from a significant increase in productivity and engagements through consistent training and year-round campaigns and promotions. Our synergistic collaboration with OCBC Bank continues to yield good results, with the launch of several innovative products as we strive to provide more holistic and customised financial solutions to the bank's customers.

We launched two new home insurance products – *GreatHome*, where the bank's home loan customers can enjoy not only personal protection but also protection for their home as well as *HomeGR8*, where customers can choose the more basic *HomeGR8 Essential* or *HomeGR8 Plus* for enhanced cover.

We are the first insurer to collaborate with Sembcorp Power to offer a bundled electricity cum home insurance plan to homeowners across Singapore, leveraging our suite of solutions to deliver greater value to customers.

With this partnership, Sembcorp Power customers received a complimentary 12-month home contents protection plan underwritten by Great Eastern General Insurance. The complimentary plan covers renovations and household contents against loss or damage caused by perils such as fire and theft, for up to S$2,000.

We partnered Samsung Electronics Singapore for Samsung Pay users to receive a complimentary three-month personal accident plan and also tied up with Caregiver Asia to offer first-of-its-kind professional indemnity to freelance Caregivers registered on its platform.

We worked closely with OCBC Bank to support their online presence at OneAdvisor and OCBC Marketplace for Parents (mumstruly.com) with our home and personal accident products.

In December, at a ceremony in Singapore, we signed an agreement to acquire 100% of the shares in PT QBE General Insurance Indonesia which provides us opportunities to offer a comprehensive suite of both general and life insurance solutions to the local community as well as to further build our general insurance operations into a significant business pillar for the Great Eastern Group.

BUSINESS REVIEW

MALAYSIA

Our Malaysian operations continued its good growth momentum from the previous year and maintained its market leadership in the conventional life insurance business. Our takaful business registered a strong performance and improved its market position.

Total weighted new business from Great Eastern Life Assurance (Malaysia) Berhad (GELM) and Great Eastern Takaful Berhad (GETB) grew 4% to RM1,144.2 million (S$368.7 million) compared with RM1,095.8 million (S$353.2 million) in 2017 and new business embedded value for the year grew 21% to RM785.6 million (S$253.6 million).

Great Eastern General Malaysia Berhad (GEGM), our General Insurance arm, achieved RM498.6 million (S$160.3 million) in gross written premiums.

The robust performance was driven by continued demand for regular premium investment-linked products, strong growth in Group Insurance for both Employee Benefits and Group Multiple Benefits Insurance Scheme and the continued success of bancassurance partnership with OCBC Bank as well as growth in takaful agency and bancatakaful sales.

Through leveraging technology and digitalisation, we ramped up our customer engagement to the next level.

STRENGTHENING CUSTOMER ENGAGEMENT

We leveraged our 110th anniversary to reinforce our LIFE company purpose, anchored on events under our LIVE GREAT Programme to further inspire Malaysians to live healthier and better and to "Celebrate Great" with us.

We were the presenting sponsor for "The Invincible 2" Jay Chou Concert Tour 2018. The world-class sellout concert played to capacity crowds and provided great opportunities to bring our brand closer to the public.

The Health Expo, a major initiative under our LIVE GREAT Programme, aimed at inspiring Malaysians to take ownership of all aspects of their health – physical and mental health, emotional well-being as well as financial wellness.

Themed "Get Fit. Live Great!", the three-day fitness fair, the largest in the country, attracted large crowds, with many enjoying our Great Eastern booth activities, including the LIVE GREAT Sky Track where the public tested their skills in maneuvering around high rope obstacles 6 meters above the ground; the LIVE GREAT Kinetic Workout and the first-ever LIVE GREAT Healthy Brekkie Challenge.

Another highlight was the LIVE GREAT Healthy Cooking contest which featured well-known celebrity chef, Chef Wan, as one of the judges. Participants were given 110 ingredients to select from to prepare their dishes and showcased their cooking talent.

A crowd favourite, the Great Eastern Viper Challenge, which comprised four legs, each held in a different city, attracted over 45,000 participants across Malaysia. Competitors pitted their strength and endurance in Asia's most gruelling obstacle challenge, with the winners garnering attractive prizes.

Some 15,000 runners converged at Bukit Jalil National Stadium in late October for the Great Eastern LIVE GREAT Run, which was held in the evening for the first time.

Seasoned runners went for the challenging 12km LIVE GREAT Run, while casual runners and families who participated in the 5km Triple Fun Run enjoyed being showered with bubbles, foam, and a dash of colour in the various fun zones.

To mark Great Eastern's 110th anniversary, the LIVE GREAT Carnival featured many treats. Visitors needed only to pay RM1.10 for food vouchers worth up to RM12.00 while LIVE

GREAT card members were treated to complimentary cold-pressed juices and salads. Exciting fringe activities for the whole family included giant inflatable slides and carnival games. The Run ended with a display of colourful fireworks.

Close to RM18,000 was raised from the Run for ChildrenCare to support underprivileged children.

In conjunction with our anniversary celebrations, we were the main sponsor of Plane in the city in Malaysia, the first experiential aircraft dining in The City where diners not only enjoyed fine dining catered by a 5-star hotel in an actual Boeing 737 aircraft, they also had the unique opportunity to experience walking onto the plane wing for memorable photos as well as to take photos in the cockpit. LIVE GREAT Card members enjoyed special privileges like priority boarding and discounts on beverages.

We partnered Digi, one of Malaysia's leading telecommunications service providers, for the Raja Futsal Tournament, the biggest such tournament in Malaysia. The event kicked off in the middle of the year with the champion team winning RM100,000 in the Grand Finals. To encourage Great Eastern staff and agents to participate in the tournament and keep fit, teams who entered the Grand Finals stood to win additional RM10,000.

DELIVERING INNOVATIVE PRODUCTS AND SERVICES

During the year, we continued to focus on delivering value propositions to our different customer segments.

Smart Legacy Max, an investment-linked plan which offers customers access to professionally managed unit funds combined with the benefit of coverage of up to age 100 years old and *Great 110 Legacy* launched in conjunction with our 110th anniversary both attracted good take-up.

To further help customers grow their savings, we introduced *Great Flexi Plus* which provides customers attractive options on premium payment terms as well as payouts.

On the bancassurance front, we collaborated with OCBC Bank to launch *CashPlus2* and *Max Multiplier* as well as expanded our insurance sales coach team to further build the bank's insurance advisory capabilities nationwide.

We forged a new bancassurance partnership with Bank of China (Malaysia) Berhad to distribute life insurance products through the bank's branches across the country, further extending our reach in the Malaysian market.

With our revamped eConnect online customer portal, policyholders can access their policy information conveniently and perform selected online transactions, including requesting for electronic statements, remitting premium payments and retrieving ePolicy contracts.

STRENGTHENING OUR DISTRIBUTION CAPABILITIES

Our focus to boost the professionalism and productivity of our agency force as well as our strategic recruitment efforts has reaped good results.

During the year, our Centre for Excellence conducted best in-class training programmes to enhance product knowledge and professional standards. This resulted in notable increases in agency productivity.

Some 1,706 achievers qualified for our Supremacy Summit which recognises top performers. Over 3,200 graduates to date have benefitted from our flagship Life Planning Advisors (LPA) certification programme which enhances advisory skills and boosts competencies.

Our ongoing collaboration with local and private universities to reach out to undergraduates to promote a career in financial planning with Great Eastern attracted good interest.

On the bancassurance front, rigorous training programmes were also conducted and we continued to deliver compelling propositions to OCBC Malaysia's customers, harnessing the bank's goal-based advisory initiatives.

GROWING OUR GENERAL AND GROUP INSURANCE BUSINESS

We took a notable step forward in growing our Online Direct channel with the launch of our first online product – *Great Voyager,* a travel plan with a wide range of benefits, including medical expenses coverage of up to RM400,000 and emergency medical evacuation and repatriation up to RM1 million. With this success, we will be ramping up efforts to grow this channel and offer more general insurance products online.

We worked closely with POS Malaysia through our "Pecah Telur" campaigns and successfully reached out to a wider base of customers.

Our collaboration also extended to marketing activities as well as a Customer Day for POS Malaysia customers.

We broadened our product suite for home and commercial properties and also launched OCBC *Homemate* to the bank's customers. Following the detariffication of the motor insurance industry, we introduced two add-ons – hospital cash benefit and courtesy car allowance – to our motor plans.

As part of our efforts to provide affordable insurance and to constantly build on our suite of product offerings, GEGM introduced *GREAT Ride Shield,* a personal accident plan for motorcyclists.

On the Group Insurance front, we continued to provide a wide range of Employee Benefit solutions to help companies attract, retain and keep their employees healthy. With its comprehensive protection against loss of life, total permanent disability, accident and the 36 critical illnesses, and attractive investment benefits, our Group Multiple Benefit Insurance Scheme (GMBIS) continued to register good traction.

To reach out to customers located in rural areas around the country, GMBIS will be ramping up efforts to develop a digital platform to better serve members' needs.

GROWING OUR TAKAFUL BUSINESS

In 2018, Great Eastern Takaful Berhad (GETB) continued to grow with a strong purpose to help the under-protected and serve the fast-growing Islamic insurance market in Malaysia.

We intensified strategies and efforts to grow our distribution channel and boost overall activity and productivity. In tandem, we continued to improve operational efficiency to better serve stakeholders.

Arising from these, GETB registered a double digit growth, the highest since its inception in 2010. In recognition, we received an accolade for the Fastest Takaful Growth in South East Asia in 2018.

The agency channel grew strongly and was the main driver of the business. In conjunction with its eighth-year anniversary, GETB launched *i-Gr8 Harapan*, an innovative family takaful plan providing high protection with an affordable contribution. For contributions as low as RM2 a day, participants are eligible to receive up to RM1 million protection.

Key benefits include a high basic sum coverage of up to RM500,000, up to four times sum covered of accidental death benefit as well as additional Badal Hajj and Waqaf services. In addition, the plan has a unique feature that allows customers to sign up without a medical check-up.

The product was very well received and attracted a good sign-up of over 20,000 within a short span of four months.

Our Bancatakaful collaboration with our bank partners continued to grow from strength to strength. We forged new partnerships with Affin Islamic Bank and Alliance Islamic Bank. With this, we are better positioned to widen our market reach.

We further strengthened our collaboration with Koperasi Angkatan Tentera (KAT), providing good service to its 140,000 members through our Group Takaful Scheme.

GETB also signed a Memorandum of Understanding with Kesatuan Perkhidmatan Perguruan Kebangsaan Malaysia (KPPK) to distribute our Group Multiple Benefits Takaful Scheme plan to KPPK members, providing takaful coverage to over 250,000 teachers in Malaysia.

To improve operational efficiency, we launched the i-get in touch portal to make it more convenient for our customers to conduct selected transactions such as renewal of contributions.

EMERGING MARKETS

INDONESIA

Our strategy for PT Great Eastern Life Indonesia (GELI), our Indonesian subsidiary, is anchored on building a quality and sustainable business.

We continued to strengthen and deepen our collaboration with Bank OCBC NISP. We now have a comprehensive range of products designed to cater for different segments of the bank's business, namely wealth management, private banking, small and medium enterprises and Sharia business.

Overall sales productivity improved with the launch of the "One Sales Discipline" initiative, driven by closer cooperation between the bank's sales force and our financial advisors, coupled with daily joint field meetings and regular monthly reviews and planning meetings.

In addition to OCBC NISP, we expanded our collaboration with Bank Panin Dubai Syariah which has begun to show good results.

Our Group Insurance business also grew significantly, stemming not only from referrals from OCBC NISP, but also from our established cooperation with international and local brokers. To support this growth, we conducted regular health and wellness seminars and talks under our LIVE GREAT programme for employees of our Group Insurance customers across the country.

With a fast-growing middle class, rising income levels and a large proportion of its 260 million population comprising the young and social-media savvy, we piloted a telemarketing channel as part of our strategy to develop our digital business with our affinity partners. This provides an attractive and significant opportunity for GELI to penetrate into new market segments with tailor-made insurance solutions.

On the product front, we continued to develop innovative products with simple and strong value propositions for our customers. These included *Asset Link Protector*, a single premium product with unique features of doubling the sum assured over a 10-year duration. Our *Asuransi Tanda Junior* enhances the bank's product for children by offering hospitalisation insurance benefits for them. In addition, we also developed new innovative products for affinity channels which are currently pending approval from the Indonesia insurance regulator, Otoritas Jasa Keuangan.

Another area of focus was to strengthen our risk culture. Towards this end, workshops were conducted and robust discussions held during Board and Management meetings to highlight emerging risks and discuss mitigating measures. During the year, we were pleased to be recognised for our efforts in risk management, good corporate governance and social responsibility.

BRUNEI

To expand our distribution capabilities, Great Eastern Life Brunei (GELB) collaborated with JobCentre Brunei and agency leaders on recruitment efforts which registered notable increases in manpower growth.

To support this growth, we ramped up training programmes to boost financial advisory skills and product knowledge which in turn resulted in higher productivity from the new entrants.

In line with the regulator's objective to increase awareness of financial literacy, GELB participated in several events leading up to National Savings Day and was also actively involved in the Brunei Insurance and Takaful Day. These enhanced our brand presence in the community as well as created greater awareness of our products.

In response to the market's demand for Singapore dollar-denominated products in Brunei, GELB launched *Family3* and *Great Wealth Multiplier* in Singapore dollar which were marketed through our agency and bancassurance channels. Riders in Singapore dollar were also made available for policyholders.

In celebration of Great Eastern's 110th anniversary, we also launched *G220*, a Singapore dollar single premium endowment product which attracted overwhelming response from our policyholders.

We leveraged major festive occasions to organise LIVE GREAT get-togethers for customers, business partners and agency force. These provided good opportunities to strengthen relationships with our key stakeholders and uplifted brand affinity.

HUMAN CAPITAL

As a LIFE company, we inspire our people to LIVE GREAT. We believe every employee is a talent and can make a difference. We are constantly building an engaging environment that fosters effective synergies, creating a place for our employees to discover and develop their potential to the fullest.

Our Human Capital strategies continue to be focused on Leadership, Learning and Growth, Employee Engagement and Health and Well-Being.

BUILDING A STRONG CORPORATE CULTURE

During the year, we ramped up initiatives to build a strong corporate culture anchored on Moving Together As One, fundamental to the success and sustainability of the company.

In 2018, a key corporate culture building initiative continued to be our "Making Life Great" programme which comprised a series of strategic sessions across departments and divisions anchored on team building activities.

DEVELOPING OUR PEOPLE

We continued to invest in our people and in their personal and professional development. Opportunities were provided for them to cultivate core competencies and skills to be future-ready to meet the rapidly changing demands of the industry.

On-the-job learning and workshops were organised throughout the year to help our people in their career development. E-learning modules and tutorials were rolled out to educate employees on industry trends and regulations to help them perform their day-to-day operations more efficiently.

We continued to implement the Great Eastern Career Framework and Career Book across the Group which provided employees greater clarity and visibility on career paths and opportunities. Employees can better chart their own individual careers which also facilitated management of cross-functional and divisional employee rotations.

LEARNING AND GROWTH

In today's competitive environment, learning and growth is key to developing a robust bench strength and for our long-term success.

Executive programmes were offered to talents earmarked for leadership and succession, together with job enlargements and rotations to better prepare them for progression within the company.

Some 140 colleagues from our Business and Information Technology teams from our various markets gathered in Singapore for the inaugural Great Eastern Hackathon. Participants were tasked to analyse and hack a business challenge and develop multiple possible solutions.

We also held our first Digital Skills Learning Carnival. The event featured bite-size learning sessions, multiple mini workshops and experiential booths to introduce participants to new technologies and digital trends.

ENGAGING OUR PEOPLE

Our employee engagement strategy continued to be multi-dimensional, anchored on open two-way communication and teamwork.

Our Making Life Great (MLG) workshops continued to be a success on all fronts while our LIFE Programme where we champion on building a healthy workforce attracted greater participation.

Regular town halls were held to update employees on company performance and developments.

We also launched Great Connections which provided our employees opportunities to engage and share with top management over a series of casual lunches.

Based on the theme "Make Life Great For Our Customers", the series of MLG workshops held throughout 2018 supported and reinforced the company's focus on customer-centricity. Anchored on design-thinking, special team-based activities and experiential learning were conducted which enabled participants to learn to better empathise with customers and

the importance of placing customer's needs and experience as top priority in our daily work.

The workshops, which received good feedback from participants, will be extended to Malaysia and Indonesia in the coming months.

As a LIFE company, the well-being of our employees is a priority. Through our LIFE Programme, a key component of our employer value proposition, we empower, motivate and incentivise our employees to take charge of their health and wellness.

Throughout the year, we organised a series of health-focused workshops and activities at company and department levels to spur employees on their journey to better health.

These included brisk walks and stair climbing, as well as static workouts and GO GREEN Challenge where close to 600 participants comprising over 70 teams and 130 individuals signed up to lose 1,100 kilos collectively as a company.

In Malaysia, we held a Fitness Transformation Programme to help staff achieve their health goals through fitness trainings and nutritional talks. The Lion King's Futsal Cup Tournament attracted good participation from staff, including senior management.

As part of our Green Office initiative, staff were given potted plants which added to the green office environment.

The LIFE Programme, a key anchor in driving organisational health and employee engagement across the Group, has grown from strength to strength. Participation in this voluntary programme has increased to over 80% for Singapore and Malaysia, and over 50% for Indonesia, since its launch. In tandem with the success of the programme, the overall health profile of the company has improved.

Our employee engagement initiatives have borne good fruit. The Group's employee engagement score of 75% ranks Great Eastern amongst the top in the Asia Pacific Insurance category by Aon Hewitt.

To celebrate the people who have made Great Eastern what we are today, a slew of exciting events and initiatives were organised across the Group to celebrate our 110th anniversary. Highlights included a #CelebrateGreatColleagues contest where colleagues across the markets shared their memorable moments with fellow colleagues.

In Singapore, some 500 staff and financial representatives came together for a historic 110 formation at Fort Canning Park to symbolically launch our anniversary campaign, which aptly embodied "Celebrate Teamwork".

In August, staff participated in the GETGREAT GE110 Birthday Challenge where teams strived to clock a total of one million steps together during the month using our GETGREAT app.

Staff were also given special treats during the month, including complimentary bubble tea and fruit juices, a $110 policy premium voucher through UPGREAT, as well as cupcakes.

In Malaysia, a joint celebration was organised for staff from GELM, GEGM and GETB.

Local celebrity Dennis Yin hosted the celebrations, with the crowd enjoying performances by international and local artistes, as well as the #CelebrateGreat mass dance. Staff also stood the chance to win 110 prizes, including smartphones. Touch n' Go cards worth RM110 each were also distributed to each staff.

A Raffle Draw was also held and funds raised were channeled to our ChildrenCare fund.

In Indonesia, a series of events were held, ranging from the 110th Vertical Challenge to the Great Office Warrior Challenge. Staff were treated to customised "110th" cookies and rallied to donate IDR 14,750,000 to the Lombok earthquake victims.

In Brunei, celebrations comprised a cake-cutting ceremony by staff, financial representatives and policyholders at our office.

CORPORATE SOCIAL RESPONSIBILITY

At Great Eastern, we are committed to giving back and to making a meaningful difference in the communities we operate in. As a LIFE company, we strive to empower the community to live healthier and better and to add value to the lives around us.

In conjunction with our 110th anniversary, we launched Great Eastern Cares in March at the 2018 Great Eastern Community Shield in the presence of the President of the Republic of Singapore, Madam Halimah Yacob, as well as Grace Fu, Minister for Culture, Community and Youth amid a 19,000-strong crowd at the National Stadium.

Great Eastern Cares will lend greater focus to our corporate social responsibility efforts and programmes and to encourage greater active volunteerism among our employees and distribution force.

Through a wide range of Great Eastern Cares initiatives held throughout 2018, our employees and financial representatives across the Group volunteered their time and talent to support worthy causes.

LIVING HEALTHY THROUGH SPORTS

Anchored on our Live Great philosophy of helping customers live healthier and better, we organised a slew of sports and wellness programmes in our various markets.

In Singapore, 14,500 women of all ages participated in 13th edition of our Great Eastern Women's Run (GEWR), Southeast Asia's largest all-women run. For the first time, participants finished at Singapore's iconic National Stadium and enjoyed a picturesque run throughout the new route.

The Run raised $51,500 in support of two women-related causes – Breast Cancer Foundation and Women's Health Research and Education Fund. Funds were raised through our corporate partners who sponsored corporate charity teams while many GEWR participants donated through customising their race bibs and t-shirts as well as purchasing colourful tutus in support of the causes.

To mark Great Eastern's 110th anniversary, we introduced a '110-Metre Sprint', the first of its kind for a mass running event in Singapore for those aged 13 and above.

Highlights included post-race massages, a powder room to freshen up and fun booths for Instagrammable Live Great moments. Exciting treats were also lined up for young participants who enjoyed the bouncy castles, sculpted balloons, face painting and My Little Pony Garden.

At the Great Eastern Community Shield, our volunteers befriended and hosted over 300 beneficiaries and family members from the Straits Times School Pocket Money Fund (STSPMF) to an exciting afternoon at the GREAT 110 Football Fiesta. The highlight was the GREAT 110 Kids Football Tournament where 110 children, including beneficiaries from STSPMF, competed.

That evening, to symbolically launch Great Eastern Cares, some 450 Great Eastern family members, business partners, STSPMF beneficiaries and members from community football clubs came together to form a "community 110" formation at the National Stadium amidst rousing cheers from the crowd.

We leveraged the Community Shield and collaborated with our corporate partners, employees and distribution force to raise S$169,085 for STSPMF which supports needy school children.

In Malaysia, over 15,000 runners participated in the Great Eastern LIVE GREAT Run at Bukit Jalil National Stadium. The 12km LIVE GREAT Run attracted a large crowd of seasoned runners while casual runners and families participated in the 5km Triple Fun Run and enjoyed the novelty of being showered with bubbles, foam and a dash of colour in the various fun zones.

The LIVE GREAT Carnival featured exciting fringe activities for the whole family and ended with a colourful display of fireworks.

Working as a team, we raised close to RM18,000 for our ChildrenCare programme in support of underprivileged children.

At the inaugural ChildrenCare Futsal Carnival, held in collaboration with Jabatan Kebajikan Malaysia, we hosted over 110 underprivileged children to a day of sports and fun. We also contributed RM110,000 to help promote the importance of healthy living through sports and to encourage the children to take up a sport from a young age.

The Great Eastern Viper Challenge, another signature event under our LIVE GREAT programme in Malaysia, continued to prove popular and provided participants platforms to challenge their physical and mental strength over a series of grueling obstacle courses.

HELPING THE YOUNG AND ELDERLY

As a Group, we continued to organise activities and raise funds for needy children and elderly beneficiaries. Through our efforts, we aim to provide opportunities and support for the underprivileged and foster an inclusive and caring society.

In Singapore, S$225,301 was raised in 2018 for our ChildrenCare and GoldenCare beneficiaries – MINDS Fernvale Gardens School for children with special needs and AWWA Community Home for Senior Citizens – while over RM190,000 was raised in Malaysia for our ChildrenCare programme which supports over 180 children's charities.

In celebration of the first anniversary of the rebranding of Great Eastern General Insurance and our 110th anniversary, we organised a mega charity car wash and carnival in Singapore. Over 170 volunteers from Great Eastern and Lion Global Investors, comprising top management, staff and financial representatives were kept busy throughout the day washing a constant stream of cars from the many supporters who purchased car wash packages. We raised $68,950 for the STSPMF and also hosted 130 beneficiaries and their family members at the carnival.

In another meaningful event, 110 Singapore staff volunteers and their children made healthy snacks for sale to raise funds for the elderly at AWWA Community Home. They brought festive cheer to the elderly beneficiaries and hosted them to an afternoon of rousing performances, carolling and tote bag painting art therapy.

In Malaysia, we hosted 110 underprivileged children to a batik painting workshop under our ChildrenCare programme. Staff volunteers were on hand to guide the children as they learnt about the age-old traditional technique of batik painting and also tried their hand at painting.

We also brought Deepavali cheer to children from the Pure Life Society Home. The children learnt about Kolam-making and, guided by artists and GELM volunteers, assembled a massive 16-foot Kolam which they subsequently jointly lit to usher in the Festival of Lights.

In celebration of its 8th anniversary, GETB launched the #Gr8erMalaysia campaign to encourage Malaysians to pay it forward by doing good and helping one another. GETB management, staff, agency force and customers turned out in full support, as did members of the public.

Many actively participated in the activities organised by the various charitable organisations, including Yayasan Pesona, Kembara Amal Ventures, Kiwanis, Kengkawan Project and Saora, which between them support underprivileged children, education, needy families and disabled communities.

During the year, GETB donated over RM215,000 to 12 charity organisations. The sum donated was from the 2017 Underwriting Surplus and Investment Profit derived from the Tabarru' Fund contributed by the participants, as well as excess amount from individual participant's accounts for the same year. GETB also disbursed more than RM1.3 million of Underwriting Surplus and Investment Profit directly to its participants.

In Indonesia, we donated money, groceries and school equipment, as well as organised games for needy children from Khairunisah orphanage.

EMPOWERMENT THROUGH EDUCATION

In 2018, a total of S$238,035 was raised and contributed to the Straits Times School Pocket Money Fund which supports 14,000 children and youths from low-income families by providing pocket money to help them through school.

In Malaysia, we awarded education scholarships worth close to RM800,000 through the Great Eastern Supremacy Scholarship Award to deserving students.

We continued to motivate underprivileged children in their education journey through Program Aspirasi Gemilang 'A' in collaboration with Jabatan Kebajikan Masyarakat (JKM). The 'Let's Score 'A'' workshops provided academic assistance to the children to prepare them for their national examination. Students were rewarded with a cash incentive for every 'A' achieved in the examinations.

To cultivate and promote the lifelong habit of reading amongst the young, we participated in The Malaysian Insurance Institute's LET'S READ Book Donation campaign. During the five-week campaign, staff were encouraged to donate new and used books. The books collected were distributed to various facilities around the Klang Valley, including special needs centres and hospitals.

Bijak Amwal, GETB's financial literacy programme conducted with the support of the Ministry of Education, continued to be well received in schools. The programme educates and raises awareness on Islamic finance and takaful among school children.

In Indonesia, we conducted seminars and workshops for our corporate partners to raise awareness of the importance of financial literacy. Through the sessions, participants learnt to take charge of their financial well-being – a positive step towards building a more financially-literate society.

SUPPORTING THE ENVIRONMENT AND OTHER COMMUNITY INITIATIVES

During our charity car wash initiative in Singapore, in line with our commitment to care for the environment, we partnered EWash to provide waterless environmentally-friendly car washes which saved a massive 95% of water compared to a normal car wash.

In Malaysia, staff volunteers from GETB collaborated with Saora Industries to install solar-powered lights and water purification systems to Orang Asli villages in Pahang. In addition to providing clean energy and clean water, staff volunteers also embarked on a donation drive to collect clothing, school supplies and other basic amenities for the villagers.

Our general insurance business in Malaysia donated RM25,000 to Hospis Malaysia in support of the "Speak Up – There is an Elephant in the Room" campaign to promote awareness about palliative care and 'adopted' a life-sized baby elephant sculpture as a campaign ambassador.

In Indonesia, we partnered Bank OCBC NISP to provide environmentally-friendly lamps and electricity to over 100 homes in Cilele Village in Karawang, West Java, as part of our efforts to help improve the quality of life for the villagers. We also provided stationery, books and sports equipment to students in the village.

Our staff volunteers also helped with repairs and improvements to a school in Wanajaya Village.

During the year, we also participated in a joint CSR initiative with OCBC Bank in Singapore where staff spent a meaningful day with elderly beneficiaries from AWWA Senior Activity Centre. This was held in conjunction with the launch of the OCBC Glowing Years Programme which rewards the elderly to adopt lifestyle habits to reduce risk of dementia.

Beneficiaries enjoyed fun exercises, a karaoke sing-along session and also actively participated in carnival games. They were given a goody bag of healthy fruits to reinforce the message of living healthy.

YEAR IN REVIEW (HIGHLIGHTS)

JANUARY

- In celebration of Great Eastern's 110th anniversary, GELM was the presenting sponsor for the popular Jay Chou concert in Kuala Lumpur.
- GELM launched *Smart Legacy Max* and *Great Flexi Plus*.
- GEGM launched *Easi-Biz Premier* and *Easi-Biz Standard*.
- GELI brought cheer to disabled children from Yayasan Pembinaan Anak Cacat.

FEBRUARY

- GELS launched *Flexi Cashback* and *Flexi Goal*.
- GELI launched *Asuransi Tanda Junior*.
- GELI conducted health talks for employees of Bank OCBC NISP in Bekasi and for their customers in Surabaya as well as for employees of ZALORA.

MARCH

- To kick start our 110th anniversary celebrations, 500 employees and financial representatives came together in Singapore for a historic 110 formation to symbolically launch our campaign and "Celebrate Teamwork".
- GELS launched Great Eastern Cares at the Great Eastern Community Shield and raised $169,085 for the Straits Times School Pocket Money Fund (STSPMF).
- The Great Eastern Viper Challenge in Penang attracted over 10,000 participants.

APRIL

- GELS launched GETGREAT and UPGREAT, two industry-first digital platforms to empower and reward the community to live healthier and better.
- GELM was the main sponsor of Plane in The City in Malaysia, the first experiential aircraft dining in the heart of town.
- GELI conducted a health talk for Bank OCBC NISP customers in Bali.

MAY

- GELS launched *GREAT TripleCare MoneyBack Special* and *GREAT270*.
- The Great Eastern Viper Challenge in Johor attracted over 8,000 participants.
- GELI conducted health talks for Bank OCBC NISP employees in Medan and Jakarta and ZALORA employees.

JUNE

- GELM launched *Great 110 Legacy*.
- GETB donated funds, groceries and school equipment to needy children at Khairunisah orphanage.

JULY

- To mark the first anniversary of the rebranding of Great Eastern General Insurance, GELS organised a charity car wash and carnival and raised $68,950 for needy youths and school children.
- GELS launched *GREAT Wealth Multiplier*.
- GELS partnered Sport Singapore to join the GetActive! Singapore and Active Health movement and co-activated the GetActive! GetGreat Digital Challenge.
- GELM partnered Digi, Malaysia's leading telecommunications provider, for the Raja Futsal Tournament, the biggest of its kind in Malaysia.
- GELM was the exclusive event partner for the Star Health Expo, the largest health and wellness exhibition in Malaysia.
- GELI conducted a health talk for Bank OCBC NISP customers in Pekanbaru.
- GELI participated in Bank OCBC NISP's 77th anniversary celebrations and hosted our customers to a concert in Surabaya.

AUGUST

- Great Eastern was ranked 6th in the Top 100 Singapore Brands for 2018 by Brand Finance.
- Great Eastern turned 110. Celebrations were held across the Group.
- GELS presented the JJ Lin Sanctuary World Tour 2018 in Singapore as part of our efforts to create special LIVE GREAT moments for our customers during our milestone year.
- GELS launched *GREAT Personal Protector* and *GREAT220*.
- GELS offered special packs to our LIVE GREAT members where for just $11, they could redeem a Birthday Pack worth over $110 from our selected merchants.
- In Singapore, our #CelebrateGreatSG attracted good response. Winning entries were showcased in a post-contest video and amplified through various platforms.
- GELS launched the GearedtoGetGreat 1,000,000 Step Challenge in collaboration with Samsung.
- GELS partnered Caregiver Asia to offer a first-of-its-kind professional indemnity insurance to freelance caregivers.
- GELS volunteers collaborated with OCBC Bank counterparts to befriend elderly beneficiaries from AWWA Senior Activity Centre.

- GELM staff hosted 110 underprivileged children to a batik painting workshop under its ChildrenCare programme.
- The Great Eastern Viper Challenge in Kuala Lumpur attracted 12,000 participants.
- GETB volunteers partnered Saora Industries to provide Orang Asli villages in Pahang with energy and clean water.
- GELI raised IDR14,750,000 for Lombok earthquake victims.
- GELI collaborated with KALCARE to conduct monthly events to promote financial literacy and healthy living.
- GELI conducted a health talk for Bank OCBC NISP employees in Bandung and Manado and for the bank's customers in Semarang.

SEPTEMBER

- GELM organised the inaugural ChildrenCare Futsal Carnival for over 110 underprivileged children and contributed RM110,000 to help promote the importance of healthy living through sports.
- GEGM donated funds and stationery to the needy children at Yayasan Sunbeams Home.
- GELI conducted health talks for Bank OCBC NISP employees in Semarang, Solo and Kelapa Gading and for employees of group insurance partners Telkom Telstra and Amcor Flexibilitas Indonesia.

OCTOBER

- Great Eastern Women's Run attracted over 14,500 women and raised $51,500 for the Breast Cancer Foundation and the Women's Health Research and Education Fund.
- GELS organised the inaugural Digital Skills Learning Carnival for employees to keep abreast of key digital trends.
- Great Eastern LIVE GREAT Run drew over 15,000 runners and raised close to RM18,000 for underprivileged children.
- GELM conducted the Let's Score 'A' Workshop for underprivileged children.
- GETB launched *i-Gr8 Harapan* in conjunction with its 8th anniversary.
- GEGM launched *Great Voyager.*
- GEGM donated RM25,000 to Hospis Malaysia in support of its campaign to promote awareness about palliative care.
- GELI launched *Asset Link Protector*.
- GELI conducted a financial literacy workshop for employees of Klikdokter and health talks for Bank OCBC NISP customers in Jakarta and for their employees in Pekanbaru.

NOVEMBER

- GELS and Sembcorp Power collaborated to offer bundled electricity and home insurance plan.
- GELM ChildrenCare celebrated Deepavali with young beneficiaries from the Pure Life Society Home.
- GEGM participated in The Malaysian Insurance Institute's LET'S READ Book Donation Campaign to promote a lifelong habit of reading among youths and teens.
- GELI partnered Bank OCBC NISP to provide electricity and lamps to over 100 homes in Cilele Village, Karawang. Stationery, books and sports equipment were also given to students in the village.
- GELI conducted a health talk in collaboration with Awal Bros Pekanbaru Hospital.
- GELI conducted a financial literacy workshop for ZALORA employees and health talks for Bank OCBC NISP employees in Surabaya and Denpasar.

DECEMBER

- Great Eastern General Insurance Limited signed an agreement with QBE Asia Pacific Holdings Limited and QBE Insurance (International) Pty Limited to acquire 100% of the shares in PT QBE General Insurance Indonesia.
- 110 staff volunteers and their children from GELS and Lion Global Investors brought Christmas cheer to the elderly at AWWA Community Home.
- The final leg of the Great Eastern Viper Challenge in Cyberjaya attracted 15,000 participants.
- GETB celebrated its 8th year anniversary with the launch of #Gr8erMalaysia campaign.
- GETB partnered Koperasi Perkhidmatan Perguruan Kebangsaan (KPPK Berhad) to provide coverage for 230,000 teachers.
- GEGM introduced *GREAT Ride Shield*.
- GELI conducted a health talk for employees of Selaras Propertindo.
- GELI treated customers to a concert in Medan in collaboration with Bank OCBC NISP to mark the bank's anniversary.

AWARDS AND ACCOLADES

These awards and accolades affirm the strength of the Great Eastern brand and reflect the strong teamwork and our commitment to continuously raise standards. They enhance our corporate reputation as a premier insurer brand and will spur us to continue to put in our best efforts.

SINGAPORE

Ranked 6th in Top 100 Most Valuable Brands
Brand Finance

Runner Up for Most Transparent Company (Finance Category)
19th Investors' Choice Awards, Securities Investors Association Singapore

Trusted Brand Award (Gold)
Reader's Digest

Excellence in Branding and Marketing
CMO Asia Awards

Best Engagement Strategy for a Female Audience (Gold)
Best Regional Loyalty Marketing Campaign (Silver)
Loyalty and Engagement Awards

Best Integrated Marketing (Silver)
Best Sponsorship (Silver)
Event Marketing Awards

Business HR Awards (Purpose Driven)
Leading HR Practices (Employee Engagement, Alignment and Workplace Harmony)
The Singapore HR Awards

Most Attractive Employers 2018
Universum

Corporate Award for Most Finalists
Financial Planner of the Year - James Yang
FPAS Financial Planner Awards

Charity Gold Award
Community Chest Awards 2018

Best Event: Sponsorship Activation
Best Event: Sports Category
Marketing Events Awards 2018

Team of the Year (Life Insurance) - GETGREAT and UPGREAT
Singapore Business Review Management Excellence Awards 2018

Excellence in Sports Marketing (Gold)
Excellence in Sponsorship Activation (Silver)
Marketing Magazine Marketing Excellence Awards 2018

MALAYSIA

Trusted Brand Award (Gold)
Reader's Digest

The BrandLaureate Brand Supremacy Award
Most Iconic Brand
The BrandLaureate Best Brands Awards

Winner in the Health Insurance category
Malaysia Health & Wellness Brand Awards 2017

Best Candidate Experience by a Corporate HR Team (Silver)
Best On-boarding Experience (Silver)
Human Resources Asia Recruitment Awards 2018

Top Brand in Banking, Investment and Insurance (Bronze)
Putra Brand Awards 2018

Best Candidate Experience by a Corporate HR Team (Silver)
Best On-boarding Experience (Silver)
Human Resources Asia Recruitment Awards 2018

Excellence in Workplace Culture (Silver)
HR Excellence Awards 2018

Fastest Growing Takaful Company (Malaysia)
2018 International Finance Awards by Acquisition International (AI)

Takaful Solutions Provider of the Year (Southeast Asia)
Wealth & Finance International Awards 2018

INDONESIA

Platinum Rating
Indonesia Corporate Secretary & Corporate Communication Award 2018, Economic Review

Gold Rating
Indonesia Legal Award 2018, Economic Review

Gold Rating
Indonesia Sales & Marketing Award 2018, Economic Review.

Rank 1 in the Bancassurance Top Agent Award – Siwi Sugiharti
Indonesian Life Insurance Association (AAJI)

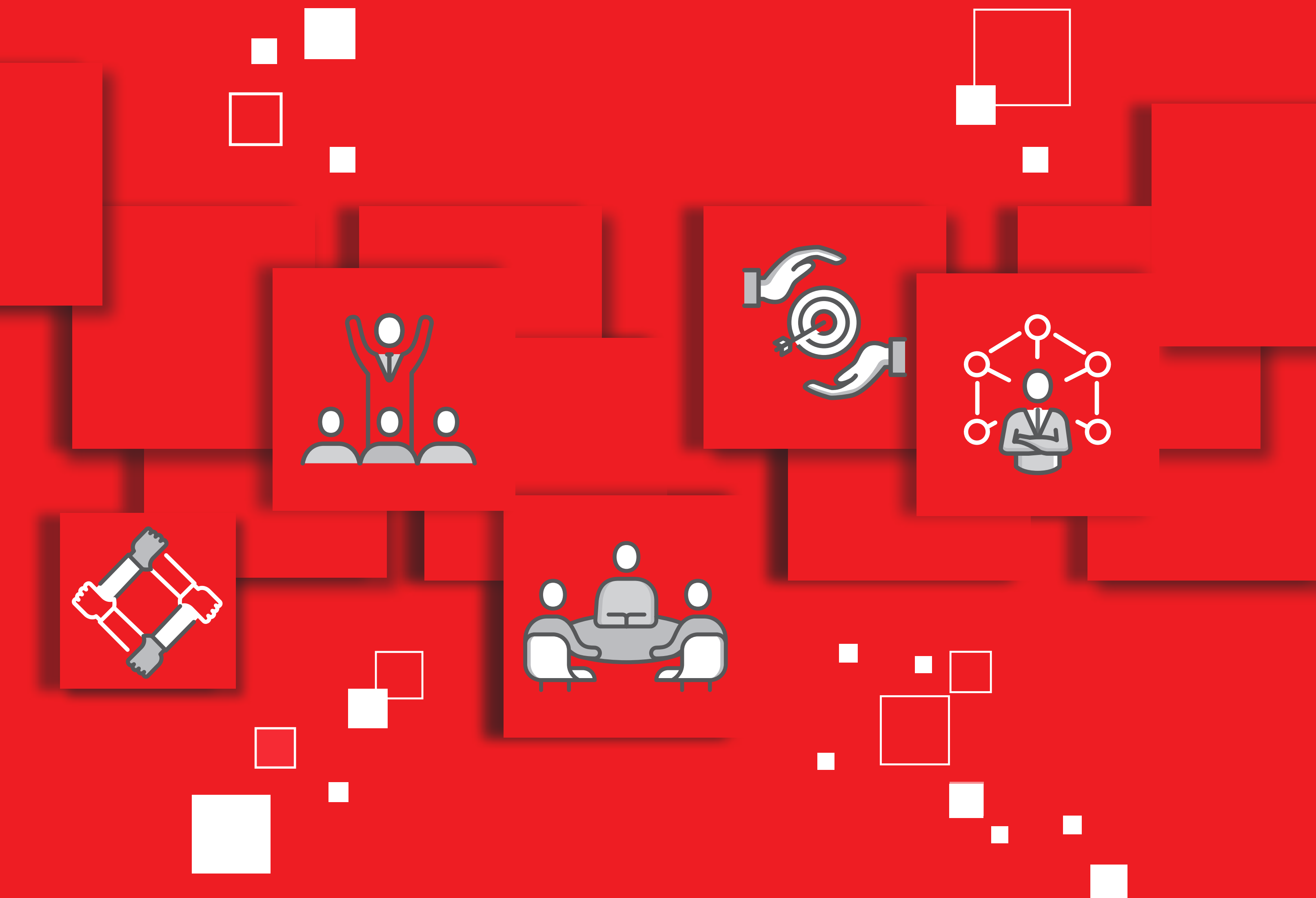
Gold Rating
Enterprise Risk Management Award 2018, Economic Review and Indonesia Asia Institute

Top 5 Indonesia Insurance Consumer Choice Category: Asset Rp 1 – 5 Trillion
Warta Ekonomi

Best Life Insurance in Indonesia Category Private Company: Asset Rp 1-5 Trillion
Indonesia Insurance Award 2018, Economic Review

Excellent Rating
Indonesia Good Corporate Governance Award 2018, Economic Review

Insurance Top Leader with Excellent Customer Relationship Strategy - Clement Lien Cheong Kiat, President Director of Great Eastern Life Indonesia
Top Insurance Leader Award, Warta Ekonomi



SUSTAINABILITY
REPORT

ABOUT THE REPORT

Great Eastern Group is pleased to present our sustainability report which covers the Environmental, Social and Governance (ESG) performance of the Group for 2018. This is our second sustainability report. It has been prepared in accordance with the Global Reporting Initiatives (GRI) Standards: Core Option and is aligned with the requirements of Singapore Exchange's Sustainability Reporting guidelines.

We adopt a progressive approach towards reporting. Over time, disclosures on performance and targets will increase. This report includes ESG data which (unless otherwise indicated) covers our operations in Singapore, Malaysia, Indonesia and Brunei.

BOARD STATEMENT

At Great Eastern, we are committed to creating long-term sustainable value for our stakeholders, including shareholders, customers, employees and the communities we operate in. The Board strongly believes in incorporating ESG principles into the company's strategic formulation and decision making.

Together with the management, the Board ensures that Great Eastern delivers on our ESG commitment. A Sustainability Steering Committee has been formed to oversee the company's sustainability efforts. This committee comprises senior management from across the Group, chaired by the Group CEO.

We are proud to be the first Singapore-domiciled insurer added as a signatory to the United Nations Principles for Sustainable Insurance (UN PSI). We were accepted as a member of the United Nations Environment Programme Finance Initiative (UNEP FI) on 10 September 2018.

We believe this report provides a reasonable and accurate presentation of the company's efforts and ongoing commitment towards creating a sustainable business model.

KOH BENG SENG
Chairman

KHOR HOCK SENG
Group Chief Executive Officer

CONTENTS

OUR SUSTAINABILITY APPROACH

As a responsible insurer, Great Eastern is committed to building a sustainable future, guided by our core values of integrity, initiative, and involvement as well as our philosophy of doing things right and doing things better. As we continue to deepen our market presence, we seek to address ESG risks in a consistent manner.

GOVERNANCE

Our Board provides strategic direction and considers ESG factors as part of Great Eastern's strategy. Together with the Sustainability Steering Committee, the Board oversees sustainability-related matters across the Group.

The Sustainability Steering Committee (SSC) comprises senior management members and makes recommendations on sustainability strategy for the Board's review and approval. Chaired by the Group CEO, the SSC determines and reviews material ESG issues, formulates sustainability strategies taking into consideration these material issues, sets the long term ESG targets and oversees the management of the Group's sustainability performance.

The SSC is supported by the Sustainability Working Group (SWG). The SWG comprises senior managers from key functions within the company. The SWG drives the sustainability programmes and provides updates to the SSC.

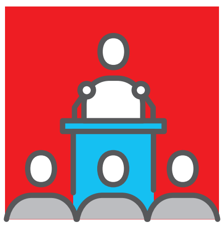
The following governance structure is in place to ensure timely management of sustainability issues and to provide updates to our Board of Directors promptly:

Sustainability Governance Structure	Activities / Composition
Board of Directors / Delegated Board Risk Committee	The Board of Directors is updated regularly on sustainability-related matters
Sustainability Steering Committee	To develop sustainability objectives and strategy, manage and monitor overall sustainability performance. Members include: 1) Group Chief Executive Officer (Chair) 2) Group Chief Risk Officer 3) Group Chief Financial Officer 4) Group Chief Investment Officer 5) Group Company Secretary and General Counsel 6) Managing Director, Group Marketing 7) Managing Director, Strategy and Transformation 8) Managing Director, Human Capital
Sustainability Working Group	To drive sustainability programmes across the Group. Departments involved include: 1) Group Risk Management 2) Group Marketing 3) Group Human Capital 4) Group Operations 5) Group Investment Management 6) Group Finance 7) Group Secretariat 8) Group Product Management 9) Regional Agency / Financial Advisors / Bancassurance

SUSTAINABILITY PILLARS

We support economic activities and contribute towards economic growth in the markets we operate in. As we continue to expand, we aim to champion healthy living and wellness, safeguard the interests of our customers and provide an engaging environment for our people to grow and realise their potential.

Our approach to sustainability is focused around five pillars:



Customer-Centricity

We are committed to fair dealing as the basis of our business to safeguard the interests of our customers. We aim to make all interaction with customers as simple and engaging as possible, and to make insurance more accessible to customers.

Communities

We are committed to being good corporate citizens in the communities we operate in. Guided by our Live Great philosophy, we champion healthy living and wellness in our community. Through our corporate social responsibility efforts, we encourage staff and financial representatives to volunteer and make a difference in our community. We are committed to provide comprehensive products to meet customers' financial and insurance needs at different stages of life.

Right People

We are committed to providing an engaging environment to help our people grow with the company and realise their full potential. Investment in our people in both their personal and professional development is a key priority to us.

Responsible Business Practices

Strong governance shapes our approach to sustainability and is an integral part of our business as well as our corporate philosophy. We have zero tolerance for financial crime, including fraud and take proactive measures to protect our customers' information from cyber attacks and illicit usage.

Responsibility to Our Stakeholders

We make economic contributions to the communities we operate in through compensation to our employees, paying our fair share of taxes, dividends to our shareholders and payments to our suppliers. We are committed to conducting our investment in a responsible manner as part of our aim to promote sustainable development.

OUR SUSTAINABILITY APPROACH

SUSTAINABLE DEVELOPMENT GOALS (SDGS)

The United Nations' (UN) 17 SDGs are the core elements of the 2030 Agenda for Sustainable Development adopted by United Nations member states in 2015. These global goals provide a focus to address a broad range of areas including decent work and economic growth, eradicating poverty, reducing inequality, strengthening governance in institutions as well as tackling climate change.

At Great Eastern, we believe in our role in promoting sustainable development. Taking into account our sustainability pillars and the markets we operate in, we have identified the following five SDGs where we can make meaningful contributions.

Sustainability Pillars	Sustainability Objectives	SDGs
Customer-Centricity	• Ensure Fair Dealing • Harness technology as enabler to deepen and broaden customer engagement beyond insurance	
Communities	• Champion healthy living and wellness in our community and corporate social responsibility efforts • Make insurance inclusive and accessible • Encourage employee and financial representatives volunteerism	3 GOOD HEALTH AND WELL-BEING 13 CLIMATE ACTION
Right People	• Ensure workplace health and safety • Promote work-life harmony • Increase employee engagement and satisfaction	3 GOOD HEALTH AND WELL-BEING 8 DECENT WORK AND ECONOMIC GROWTH
Responsible Business Practices	• Protect the financial system against financial crime	
Responsibility to Our Stakeholders	• Create sustainable economic value for our stakeholders • Encourage long-term development of local businesses we participate in • Take into account ESG factors in investment decision making	7 AFFORDABLE AND CLEAN ENERGY 8 DECENT WORK AND ECONOMIC GROWTH 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 13 CLIMATE ACTION

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is a key step in determining material issues as it gives us insight into our stakeholders' perspectives. We gain an understanding of their views and concerns through our regular interactions. They comprise our shareholders, customers, employees, regulators and financial representatives. Our stakeholders engagement approach is summarised in the table below:

Stakeholder	Issues and concerns	Our response	Engagement method	Frequency
Shareholders	• Sustainable earnings growth • Volatility in earnings • Financial strength • Strong corporate governance • Disclosure of information	• Disciplined growth strategy • Consistent dividend policy • Strict compliance with the Code of Corporate Governance • Ensure sound capital management strategy and robust risk management practices • Strong board oversight • Transparent and timely disclosures	• Financial results reports • Annual Report • Great Eastern website • Announcements via SGXNet • Meetings with shareholders	• Quarterly financial reports • Annual report and Annual General Meeting • Regular meetings with shareholders
Customers	• Healthy lifestyle with sufficient insurance coverage • Wealth accumulation • Legacy planning • Comprehensive range and quality products to suit their needs • Fair dealing • Professional advice • Customer privacy • Seamless service • Ease of doing business with Great Eastern	• Provide clear details for all products, their defining features, benefits and risks and include the respective terms and conditions in all our marketing collaterals. • Provide comprehensive products and services to meet customers' financial and insurance needs at different stages of life. • Conduct regular product and skills training for our financial representatives to equip them to provide sound advice. • Implemented Robotic Process Automation (RPA) in 2017 which reduced turn-around time for hospital claims • Simplify processes leveraging our digital capabilities • Introduce PayNow service to enhance the electronic payment services to customers	• LIVE GREAT series of health and wellness events • Marketing campaigns • Conduct focus groups • Face-to- face portfolio reviews with respective financial representatives	• Regular LIVE GREAT talks and seminars • Annual LIVE GREAT events, including Great Eastern Women's Run (GEWR) in Singapore; Great Eastern Viper Challenge and LIVE GREAT Run in Malaysia.

STAKEHOLDER ENGAGEMENT

Stakeholder	Issues and concerns	Our response	Engagement method	Frequency
Employees	• Career development • Competitive wages and benefits • Fair employment practices • Work-life balance • Continuous learning	• Skills building and future proofing • Create a fair and inclusive workplace • Aim to be an Employer of Choice • Establish our LIFE Programme which champions health and wellness	• Monthly LIFE Programme activities • Group CEO town halls • Divisional town halls • Making Life Great workshops • Staffnet (internal portal) • EDM updates to employees • Employee Engagement Survey	• Twice yearly employee townhall meetings • Bi-Annual Group-wide Employee Engagement Survey • Annual "Making Life Great" workshop • Ongoing engagement at the division and department levels
Regulators and Other Government Agencies	• Risk Culture • Market Conduct Risk • Combating financial crime • Data governance and data loss • Cyber security • Financial stability • Fintech	• Robust risk culture • Established a Cyber Security Roadmap • Mandatory completion of extensive e-learning programmes by all employees • Conduct regular trainings and issued circulars on data governance and Personal Data Protection Act (PDPA) requirements • Independent, effective and prompt handling of customer complaints through compliance with the Group Complaint Handling Policy • Policies and procedures to ensure compliance with applicable laws, rules and regulations	• Regular meetings and ad hoc consultations with regulators • Participate in market industry forums and seminars • Regulatory and Audit reports • Actively engage Ministry of Home Affairs ("MHA") in the detection of terrorism-related persons.	• Ad hoc or on a regular basis, depending on the nature of the engagement

Stakeholder	Issues and concerns	Our response	Engagement method	Frequency
Community	• Products which meet varying needs and budgets • A healthier community • A more inclusive society • Environmental sustainability	• Provide comprehensive products and services to meet customers' financial and insurance needs at different stages of life • Organise LIVE GREAT series of health and wellness events • Great Eastern Cares CSR activities • Encourage volunteerism among employees and financial representatives	• Collaborate with government agencies such as Central Provident Fund (CPF) and Ministry of Health (MOH) to bridge the protection gap through government schemes • Through series of LIVE GREAT health and wellness events • Organise a series of Great Eastern Cares CSR activities throughout the year	• Regular and as well as ad hoc basis, depending on the nature of the engagement
Financial Representatives	• Updated product knowledge and skill competency to provide sound advice • Digital tools for better agency and customer engagement • Data governance and data privacy • Management of market conduct risk and controls • Sharing of best practices and initiatives regionally	• Conduct regular product and skills training for our financial representatives to equip them to provide sound advice • Integrated bite sized learning modules to supplement existing training roadmap, and allow continuous pre and post learning • Annual e-learning exercises • Work closely with Distribution Division to improve the management of market conduct risks through appropriate mitigating controls • Regular review of touch points for potential improvement • Timely updates on new products, company initiatives and changes to agency guidelines • Implemented a new digital point of sale system known as GreatAdvice • Building centre of excellences regionally	• Training sessions at our Centre for Excellence (CFE) • Face-to-face meetings • Engagement with leaders • Townhall/ Leaders Cluster meetings/ Appreciation engagement sessions with stakeholders • Use of social media tools and applications to regularly engage stakeholders • Capitalize and synergize on resources and expertise	• Regular segmented training sessions • 24 hours access to our digital tools, social media applications and learning management platform • Quarterly engagement with leaders • Quarterly Leaders Townhall, led by Group CEO and Group Management Committee • Quarterly leader cluster meetings • Adhoc Regional Engagement Conferences

MATERIALITY

As we focus on creating sustainable value for our stakeholders, we take into account both internal and external factors and developments, challenges facing the insurance industry, and the insights from our stakeholders.

Our priorities include transforming the way we engage with customers and financial representatives, strengthening risk culture and fortifying our cyber security to safeguard the interests of our stakeholders.

In 2017, our SSC was responsible for identifying and prioritizing our material ESG issues following a four-step process guided by GRI Standards. Our board validated and approved the 9 material ESG issues.

In 2018, the SSC reviewed the material issues and validated their continued relevance. As part of the review, we expanded the Employer of Choice pillar and renamed it as Right People to include our financial representatives, which is in line with our focus to prioritize talent management and retention to enhance the organization's competitiveness in the marketplace.

Going forward, our material ESG issues will be reviewed annually to ensure completeness and continued relevance.

Our material ESG issues and their corresponding boundaries are summarised in the following table:

Material ESG Issue	Category	Impact	Involvement*
Fair Dealing	Social / Governance	Customers, Regulators and Employees	Direct
Customer Experience	Social	Customers	Direct and Indirect
Corporate Social Responsibility	Social	Communities	Direct and Indirect
Right People	Social	Employees and Financial Representatives	Direct
Financial Inclusion	Social	Customers, Communities	Direct and Indirect
Strong Governance	Governance	All Stakeholders	Direct
Cyber Security, Customer Privacy & Combating Financial Crime	Governance	Customers, Regulators	Direct and Indirect
Economic Contributions	Social / Governance	Customers, Communities, Shareholders, Employees and Financial Representatives	Direct and Indirect
Responsible Investment	Environment / Social / Governance	Customers, Communities and Shareholders	Direct and Indirect

* Our indirect involvement indicates that the impacts occur outside of the company and we may therefore only have limited control.

CUSTOMER-CENTRICITY

Integrity in all our dealings with our customers and the wider community is one of our core values and the cornerstone of our business.

FAIR DEALING

By upholding best practices in Fair Dealing, we aim to deliver our products to customers in a transparent and responsible manner, helping us to develop long-term partnerships with customers. Fair Dealing directly impacts our customers and has a bearing on the way the industry is perceived by the community at large. We aim to adhere to the highest standards of Fair Dealing to reinforce and reflect customer centricity as one of our core values.

Fair Dealing is central to our corporate culture. We are committed to adhering to the MAS Guidelines on Fair Dealing by:

- Providing professional and quality advice based on individual needs and circumstances
- Offering products and services that are suitable for our target customer segments.
- Ensuring competent representatives who provide our customers with quality advice and appropriate recommendations.
- Providing clear, relevant and timely information so that our customers can make informed financial decisions.
- Dealing with customer complaints in an independent, effective and prompt manner.

Our Group Fair Dealing Committee has the oversight responsibility of fair dealing at Great Eastern, fair dealing outcomes are reported to the Board Risk Committee on a quarterly basis. This demonstrates the company's firm commitment to the adoption of the Fair Dealing outcomes across the Group.

Our Group Market Conduct Risk Management Policy, augmented by operating manuals and procedures, sets out the expectations of good market conduct practices in delivering Fair Dealing outcomes to our customers.

Fair Dealing and Market Conduct Key Performance Indicators (KPIs) are assigned to members of the Group Management Committee (GMC) by the Group CEO. These members are managing divisions that have active roles in contributing to the achievement of Fair Dealing outcomes and managing Market Conduct risks. Fulfilment of these assigned KPIs is tied directly to the remuneration of the respective GMC members. The Fair Dealing monitoring programme includes:

1. Monitoring the achievement of Fair Dealing outcomes
2. Regulatory reporting of misconduct cases
3. Internal and external audit findings related to market conduct and fair dealing principles

Results from the monitoring of metrics and thresholds set for each Fair Dealing Outcome are reported to the Senior Management and Board on a quarterly basis.

All employees are required to complete our Fair Dealing e-learning module regularly and all of our new employees in 2018 completed the training as part of employee on-boarding requirements. There were no significant cases of non-compliance pertaining to the Fair Dealing requirements in 2018.

Similarly, financial representatives are required to undergo training with the Company upon on-boarding, which includes training on the Company's products and expected conduct for representatives. New representatives are also required to undergo coaching from their supervisors via joint fieldwork, to ensure that new representatives are appropriately supervised in the execution of the Company's prescribed sales advisory process. Supervisors exert on-going oversight of all representatives under their management, via the endorsement of their representatives' sales and periodic coaching.

Going forward, in 2019 we continue to target zero non-compliance pertaining to Fair Dealing requirements.

CUSTOMER EXPERIENCE

We are committed to provide meaningful solutions and deliver a superior differentiated customer experience. The customer is the centre of our business and we focus on enhancing customers' experience at key moments of truth.

Making insurance an enjoyable, everyday experience

Investments in technology to enhance our service capabilities to meet our customers' lifestyles and business needs continue to be our focus in 2018.

In 2018, we deepened our engagement with customers through enhancements to our online platforms and public website to offer a better customer experience.

CUSTOMER-CENTRICITY

Self-help portals

- e-Connect

In Singapore and Malaysia, with our e-Connect portal, our customers have an integrated view of their insurance portfolio combining Group, General and Life insurance. In addition to viewing their integrated insurance portfolio 24/7 and on-the-go, customers are also able to access self-help services online to submit selected policy transactions.

In 2018, we enhanced the e-Connect portal for our Group Insurance corporate clients. The enhanced portal improved the key processes in servicing our corporate clients with complete paperless and automation. It serves as a single platform where information can be shared between us, intermediaries and corporate clients. The transformation of e-Connect is a breakthrough in performance internally (through shifting from paper to digital documents and process automation) and externally (through effective delivery of traditional services and improved customer experience).

GIX eXchange (GIX)

Through GIX, the general insurance's point of sales system, financial representatives can submit online motor quotation requests to underwriters for approval. Upon approval, financial representatives can follow up with online policy fulfilment and e-policy document will be sent to the customer. This will increase straight-through processing through GIX and better customer experience.

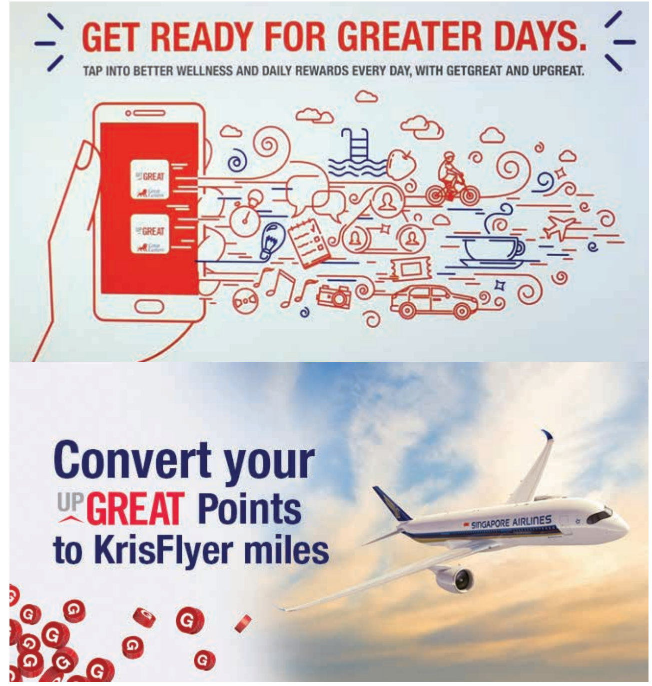
EdGE

In Singapore, to allow our financial representatives to service their customers better, we have made further enhancements to our customer relationship management tool (EdGE). The enhanced EdGE will provide our financial representatives with real-time transaction information on their customers' new insurance application and claims submission. This enables our financial representatives to provide timely and quality responses to our customers' queries.

Mobile Applications

GETGREAT and UPGREAT

To enable us to deepen and broaden customer engagement beyond just insurance to everyday interactions and experiences, we launched two exciting digital engagement industry-first features in Singapore, GETGREAT and UPGREAT. GETGREAT empowers our users and the community to live healthier and better. UPGREAT is an all in one lifestyle rewards platform for users as well as family and friends. These platforms received good response from users. Since launch, the platforms have garnered more than 80,000 sign-ups and 3.2 million interactions. New features, which were developed with close collaboration with our users, have been added to the platforms since launch.



Live Great and SupremeCare

With our Live Great and SupremeCare mobile applications, our Group Insurance customers are no longer required to submit original receipts. They can now enjoy the convenience of submitting their medical bills on-the-go by snapping pictures with their personal phones.

GreatAdvice

A new digital mobile point-of-sale system GreatAdvice is a interactive financial planning tool that enables our financial representatives to perform end-to-end sales advisory process in a seamless manner. It is developed with 3 'E's - Easy to use, Engaging and Empowering - in mind for customers to make more informed decisions regarding their financial planning needs. It offers a richer and more seamless customer experience, as well as customised products solutions tailored to individual customer needs.

In place of laborious form-filling, the customer can now co-create a life storyboard, guided by our financial representative, enabling greater customer engagement.

Digitalised Payment

In Singapore, we made available digitalised payment services to our customers leveraging on PayNow - Singapore's instant fund transfer service for corporates and businesses. Besides payouts triggered by Great Eastern, PayNow is also enabled for selected group self-service payment transactions on e-Connect. These self-service transactions can be instantaneously processed and paid out to customers' bank accounts. They would also be notified via SMS once the payments are deposited into their PayNow-linked bank accounts.

Interactive Voice Response System

We also upgraded our Interactive Voice Response (IVR) system with cloud enabled technology in 2018. The enhancement is critical in improving call experience through intelligent call routing and providing a secure and seamless mobile phone message verification process. It also comes with an auto call-back option for our customers and financial representatives, which serves to reduce their overall waiting time and enhance their call experience. The new solution enabled our call centre to demonstrate greater agility in the workplace, improving operational efficiency and customer-centricity.

Additionally, we are continuing in our journey to provide greater convenience to our customers through the digitalisation of customer correspondences. In doing so, we are ensuring that important customer correspondences are safeguarded by two-factor-authentication and yet still conveniently accessible by the customer anytime. In 2018, we introduced digital policy contracts for our customers in Malaysia. This will be rolled out to Singapore in 2019. We have also started a Go-Green initiative for our annual bonus statements for life policyholders in Singapore.

We are building up our digital capabilities to enhance customer experience. For details, please refer to the Annual Report.

Delivering superior service through our service transformation initiatives

Underwriting

The non-medical limits for term and mortgage-reducing term assurance policies were raised so as to improve the competitiveness of Great Eastern plans and to provide a differentiated experience for our customers. With higher limits that allow the waiver of medical checks for insurability, customers who buy policies within the higher limits will experience a more streamlined purchase process and a shorter turnaround time for their policies to be underwritten.

Claims

We implemented Robotics Process Automation (RPA) in Singapore to automate and perform repetitive, high volume and time-consuming tasks for medical claims. The improved efficiency and productivity through the utilization of RPA has allowed us to deliver a faster claims processing turn-around-time for our customers. There are plans to roll out RPA across different functions and regions.

Customer Service

Our customer service officers from the Customer and Agency Touchpoints Department are trained to ensure that they maintain relevant skill sets to provide consistent service to our policyholders. All new hires undergo basic life insurance training to familiarise themselves with life insurance products. After the initial induction process, they will be attached to their respective teams to learn specific skills such as call handling and email etiquette. A learning calendar will be provided by Human Resources Department where there will be opportunities throughout the year for experienced staff to sign up for courses relevant to their scope of work. Beyond the courses organised by Human Resources, Claims Department, New Business Underwriting Department and Customer Policy Services Department also conduct technical workshops for our customer service officers so as to further enhance their knowledge of the various processes.

The department also works with external trainers to deliver programmes focused on customer service experience to inspire each and every customer service officer to adopt customer centric approaches in their day-to-day communications with customers.

With an all-round training programme targeting both the technical know-how and service delivery, Great Eastern customer service officers are equipped with the best-in-class knowledge and attitude to deliver superior customer service experience to all our customers and agency representatives.

In our endeavours to achieve an enhanced customer experience, compliments and complaints are key indicators to measure our performance. In Singapore, the number of compliments received far exceeds the number of complaints received, with the ratio of compliments-to-complaints surpassing the 10:1 mark for 2018.

In the Customer Satisfaction Index of Singapore Survey conducted by the Institute of Service Excellence (Singapore Management University), Great Eastern topped the life insurance category in 2017.

CUSTOMER-CENTRICITY

PROVIDING SERVICE EXCELLENCE THAT DELIGHTS CUSTOMERS BY GOING THE EXTRA MILE

A Great Eastern policyholder visited our Customer Service Centre to surrender a policy as she required the funds urgently. The payment exceeded the threshold for immediate pay-out and staff took the initiative to liaise with multiple departments to ensure that policyholder received the cheque promptly to allow same-day cheque clearance. The Policyholder was delighted with the exemplary service rendered.

"Thank you for your assistance for our mutual client.

The client specially mentioned Agnes Lim from the counter on how helpful and patient she was. "

Cheers
Great Eastern Agency Director

PROVIDING SERVICE EXCELLENCE THAT DELIGHTS CUSTOMERS IN OUR USUAL DAY-TO-DAY WORK

The Policyholder called our Customer Service Hotline to enquire more about his existing policies with Great Eastern. The policyholder was very impressed with the staff he spoke to as she displayed strong insurance knowledge, professionalism and at the same time, also provided excellent customer service.

" I was very impressed by her great patience, detailed knowledge of insurance policies, attention to details & professionalism in addressing my every question. Her ability to multi-task between accessing the screen information, performing on-the-spot calculations & understanding my complex needs makes her exceptional in my eyes. Not to mention her tact in maintaining a great customer experience through her good communication style. Having been a regional leader where Customer Service was part of my divisional responsibilities before, I consider her abilities nothing short of extraordinary. As such, please accept my high regards for this talent in Great Eastern Life."

Great Eastern Customer

Financial Representatives

To deliver a differentiated experience for our customers through our financial representatives, the one-stop servicing concept was initiated at our Agency Service Centre with the setting up of claims counters in our branch offices in Singapore. Customer service officers are cross-trained to handle enquiries on claims cases and provide one-stop servicing for financial representatives at the service centre. This improves the overall experience as transactions are being resolved or performed at the counter instead of being referred to our back-office teams. Dedicated Claims and New Business hotlines were also set up to provide greater speed and convenience for our financial representatives, whenever they require our support. This has resulted in our financial representatives being able to deliver quicker and differentiated resolutions to customer enquiries or transactions.

We have dedicated underwriters serving high-net-worth customers, a new initiative was launched in 2018 for financial representatives to make an appointment with underwriters to accompany the representative and customer for a medical examination. In doing so, underwriters can review the results of the medical check-up on the spot, and advise on the underwriting decision or if any additional requirements are necessary.

COMMUNITIES

The prosperity and well-being of the communities we operate in are intimately connected with the group's own sustainability as a business.

FINANCIAL INCLUSION

At Great Eastern, we believe in making insurance inclusive and making insurance accessible to the larger community.

In line with this commitment, we regularly review and evaluate the relevance and effectiveness of our product offerings. Through continuous monitoring, we are able to refine and enhance existing offerings as well as introduce new innovative products across all our business lines – Life, General and Group insurance.

To reach out to the wider community, Great Eastern supports government schemes and initiatives to provide basic insurance products at affordable premiums across the countries that we operate in.

Singapore

We are one of only two insurers to support all government schemes and initiatives, offering a wide range of products to provide life, disability, health and long term care coverage.

Dependants' Protection Scheme

An affordable term-life insurance scheme that provides basic coverage of up to $46,000 in the event of death, Terminal Illness or Total Permanent Disability. We are one of two appointed insurers that administer this basic insurance scheme for the Central Provident Fund Board (CPFB).

Integrated Shield Plans – the additional private insurance component integrated with MediShield Life

MediShield Life provides lifetime coverage regardless of age or pre-existing health conditions. We are one of seven appointed insurers that offer Integrated Shield Plans, providing comprehensive medical insurance coverage which is integrated with MediShield Life.

ElderShield

This scheme provides basic financial protection coverage for those who need long-term care, especially in old age, by supplementing one's savings in the event of severe disability. CPF members with a Medisave Account (MA) will automatically be enrolled in ElderShield at the age of 40, unless they opt out of the scheme. We also offer additional coverage for those who wish to extend it with higher monthly income benefits and over a longer benefit pay-out period.

In the year 2020, Ministry of Health will be enhancing ElderShield to CareShield Life which will provide universal coverage to Singapore residents aged 30 and above. The enhanced benefits under CareShield Life include higher payouts that will increase over time and lifetime payouts as long as the claimant is severely disabled.

We remain committed to provide additional coverage over and above CareShield Life when it is launched and is in the progress of reviewing our existing ElderShield Supplementary Plans benefits to complement CareShield Life.

compareFIRST

Great Eastern supports compareFIRST, a joint effort by the Consumers Association of Singapore (CASE), MAS, LIA, and MoneySENSE. This web aggregator allows customers to compare and find life insurance products most suited to their financial objectives. By making it easier for customers to compare product benefits and features all within the same website, customers are better positioned to make informed choices.

Recognising that some customers prefer a 'no-frills' approach and prefer to purchase insurance directly from us, we set up a dedicated Customer Service Counter at Great Eastern Centre for our Direct Purchase Insurance products.

Malaysia

Great Eastern supports the Perlindungan Tenang initiative by Bank Negara Malaysia to provide affordable, accessible and easy-to-understand insurance protection to the population.

We have two products catered to the disadvantaged and underserved segments i.e. Group Multiple Benefits Insurance Scheme (GMBIS) & Easy Care Plus. Due to the affordability and comprehensive benefits, these schemes / products are extended to communities such as plantation / estates workers, government staff in rural areas, factory workers, hotel workers, etc.

GMBIS Investment Linked Plan is an affordable plan with comprehensive protection against loss of life, total permanent disability (TPD), accident and the 36 critical illnesses. It allows for Partial Surrender for members to withdraw units when the need for cash arises. Upon Maturity or Full Surrender, members are entitled to the policy's cash value.

There are on-going initiatives and roadshows to create insurance awareness among the B40 (bottom 40 percentile) group, at the same time encouraging them to sign up for the scheme.

Meanwhile, Easy Care Plus provides affordable protection for a defined period of time especially when insurance needs are high but the budget is limited. The plan offers protection against loss of life and TPD with a reasonably low premium of RM10 per month. In the event of Death or TPD, the Sum Assured will be payable in one lump sum. For Death due to accidental causes, an additional amount of 100% of the Sum Assured will be payable.

Indonesia

We offer health insurance rider to complement Badan Penyelenggara Jaminan Sosial (BPJS) Kesehatan (Government-sponsored health insurance scheme). While BPJS provides basic health insurance benefits, the rider allows customers to enjoy a better experience during hospitalization and surgery. This rider provides benefits such as global standard medical treatments and coverage on overseas hospitalization. Moreover, customers may also qualify for free medical check up during the protection period.

LiveSMART and PA COMBO are two other products, priced competitively for the mass segment. We worked hand in hand with banks and various affinity partners to make these products accesible. These micro-insurance products are aligned with the Government's initiative on Financial Inclusion, to provide life protection, personal accident, hospital income, cancer protection, viral infection/dengue protection or total permanent disability benefits. Customers may also enjoy return of premium or no claim bonus.

In support of the Government's push for financial literacy, we regularly conduct corporate social responsibility campaigns in the form of workshops and seminars for targeted groups. Topics covered include financial health check and financial planning. In 2018, the focus was on housewives since they are typically the ones making the important financial decisions at home and to groups of employees working in non-financial industry, as well as students. In 2019, we will continue to expand our reach to small medium enterprise (SME) workers and other communities.

CORPORATE SOCIAL RESPONSIBILITY

At Great Eastern, we strive to bring about positive changes for the communities in which we operate. Our Corporate Social Responsibility (CSR) focus is anchored on four pillars — Promoting Healthy Living and Wellness through Sports, Helping the Young and Elderly Needy, Empowerment through Education and Supporting the Environment. Please refer to this Annual Report for details of our CSR initiatives for 2018.

We will continue to organise a series of Great Eastern Cares CSR activities throughout the year.

RIGHT PEOPLE

As a LIFE company, we inspire people to LIVE GREAT. We are constantly building an engaging environment that fosters effective synergies, creating a place for people to discover and develop their potential to the fullest.

OUR EMPLOYEES

Our Human Capital strategies continue to be focused on Career and Development, Employee Engagement and Health and Well-Being.

Career and Development

We continue to invest in our people and in their personal and professional development. All employees receive regular performance and career development reviews and with the Great Eastern Career Framework rolled out across the Group, employees are presented with greater clarity and visibility of their career paths and opportunities. All of our employees received a performance and career development review in 2018.

We are proud to be acknowledged as a Human Capital Partner (HCP) by the Tripartite Alliance for Fair & Progressive Employment Practices' (TAFEP). The HCP programme brings together employers who are committed to develop their local talent core and adopt fair and progressive workplace practices across both local and foreign manpower.

Employee satisfaction levels for Career and Development was 76% in 2018's Employee Engagement Survey.

Employee Engagement

During the year, we ramped up initiatives to build a strong corporate culture anchored on Moving Together As One, fundamental to the success and sustainability of the company. Some of our key initiatives include:

Making Life Great Workshop: In 2017, the customer-centricity journey started with the concept of customer-centricity and customer journey mapping, introduced to employees in all countries. This year, the development of this concept is further introduced through Design Thinking and experiential learning, providing employees an opportunity to identify, experience and analyse real-life issues.

Great Connections – Lunch with Leaders: This is a new series developed for colleagues to connect, engage and learn from our Management team. Organised as an interactive dialogue session, encouraging feedback was received with more than 80% of participants inspired to attend another session.

Our employee engagement initiatives have borne good fruit. The Group's employee engagement score of 75% ranks Great Eastern amongst the top in the Asia Pacific Insurance category by Aon Hewitt.

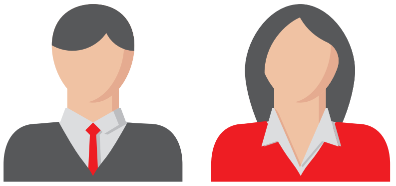
Health and Well-Being

As a LIFE company, the well-being of our employees is a priority. In 2013, the LIFE programme was birthed to support Singapore Health Promotion Board's campaign that a healthier lifestyle begins at work and to assist employees to understand and internalise what it meant to work in a LIFE Company - to emulate the corporate LIVE GREAT programme launched to actively support our policyholders in their efforts to live better in their daily lives.

Throughout the year, a series of health-focused workshops and activities was organised at company and department levels to spur employees on their journey to better health. Participation in this voluntary in-house programme continues to be high and most recently, has increased to over 80% for Singapore and Malaysia, and over 50% for Indonesia, since its launch.

RIGHT PEOPLE

Diversity of Our Employees



MEN	WOMEN
35%	65%
1,485	2,770

TOTAL: 4,255

< 30 YEARS OLD	30 – 50 YEARS OLD	> 50 YEARS OLD
21%	66%	13%

PERMANENT

TOTAL: 4,227

MEN	WOMEN
35%	65%
1,472	2,755

DIRECT CONTRACT/TEMPORARY

TOTAL: 28

MEN	WOMEN
46%	54%
13	15

INDIRECT CONTRACT

TOTAL: 406

MEN	WOMEN
41%	59%
168	238

Total Headcount	SVP and above	AVP and VP	Managers and Associates	Non-executives
Female	23%	54%	68%	71%
Male	77%	46%	32%	29%

Total Headcount	<30 years old	30-50 years old	50 years old and above
Female	66%	64%	69%
Male	34%	36%	31%

New Hires	<30 years old	30-50 years old	50 years old and above
Female	64%	52%	50%
Male	36%	48%	50%

	Average training hour	Turnover Rate
Overall	30.5	14.8%
Female	30.1	12.7%
Male	31.4	18.8%

"My best takeaway from the LIFE Programme is the Health Coaching programme that I participated in. This was a team based programme where we motivated each other in our journey to healthy living. We participated in different activities such as weekly team exercises (strength, aerobics and stretching), healthy food preparation and individual health consultations catered for a specific area of concern. LIFE Programme has made me healthier and more aware of the importance of healthy living!"

Susan Neo, Group Finance, Singapore

"I love that the LIFE Programme encouraged me to improve my health level from Amber Zone to Green Zone (healthy zone). Without this programme, I would not be aware of my unhealthy habits that led to an overweight and high cholesterol issue. Through the programme, I was also able to meet a lot of new people while enjoying many fun activities at work!"

Fatin Aziera, Claims, Malaysia

OUR FINANCIAL REPRESENTATIVES

It is important to prioritise talent management and retention as our competitiveness in the marketplace depends much on the strength of its sales force. The ability to develop and provide effective coaching to our current sales force is vital to deliver and cultivate a professional and highly productive sales culture which focuses on long term relationships and customer centricity. Retention of our top sales force ensures the stability and sustainability of the system for long-term business growth.

Our agency force are engaged through the following platforms to ensure that they maintain relevant skill sets to better serve our policyholders and are made aware of our corporate policies and standards:

- Regular product and skills training for our advisory force to equip them to provide holistic advice
- Integrated bite sized learning modules to supplement existing training roadmap, and allow continuous pre and post learning
- Annual e-learning exercises
- Working closely with Distribution Division to improve market conduct risks through appropriate mitigating controls
- Establishing a dedicated Regional Data Protection Governance Office
- Regular review of improvement on touch points
- Timely updates on new products, company initiatives and changes to agency guidelines
- Annual Regional Agency Conferences on sharing of best practices regionally

Our financial representatives are required to meet the regulatory fit & proper criteria to be a Representative of the Company, with respect to their recruitment and selection, contract maintenance (Field Force Evaluation) and higher appointment. The minimum contract maintenance and promotion requirements are well defined for the agency force through the minimum and promotion requirements guidelines. This is well communicated transparently on an annual basis to all the agency force. Aside from that, we established clear recognition platforms for top producers and top agency leaders.

We will continue to strengthen the quality of our financial representatives through talent management and retention strategies to ensure the stability and sustainability of the system for long-term business growth.

RESPONSIBLE BUSINESS PRACTICE

Strong governance shapes our approach to sustainability and is an integral part of our business as well as our corporate culture.

STRONG GOVERNANCE

Firmly guided by our core values of integrity, initiative and involvement, strong governance is critical to our long-term success. We are committed to the highest standards of corporate governance. We conduct our business with high ethical standards and comply with all applicable laws and regulations.

Our strong governance and risk culture ensures achievement of our business objectives based on sound and responsible principles and, more importantly, sustainable growth in the long term.

Our governance and risk focused culture permeates all levels within the Group, from the Board of Directors, to management and frontliners. The Risk Management Committee provides oversight and approval of governance frameworks and policies on evaluation and management of risks. All business units and functional departments are required to perform regular self-assessments to identify and evaluate key risks inherent in their respective business operations as well as the adequacy of controls established to mitigate each of the respective identified risks. Through a bottom-up approach, key issues are regularly highlighted and discussed at Group Management and Risk Management Committee meetings.

Recognising the behavioural aspect of risk management, the Board of Directors emphasises the importance of institutionalising a strong risk culture within the Group, which in return bolsters the ability of Great Eastern to satisfy the MAS Code of Corporate Governance.

In 2018, Great Eastern formalised our risk culture statement which defines the principles and desired behaviours for all to adhere to. A risk culture assessment was performed across the Group, which allowed us to assess the current state of culture against the desired state, provide industry benchmarking and identify areas of improvements. To promote stronger risk ownership and awareness, various initiatives were also implemented among staff and the agency force.

All employees are required to complete an extensive e-learning programme to ensure that they are kept aware of their roles and responsibilities in managing risks in their respective areas. These include Fraud Risk Management, Whistle-blowing, Insider Trading and Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT). All employees are to carry out their duties with the highest standard of ethical conduct as outlined in the Code of Conduct in the Group Human Capital Policy.

Group Risk Management submits regular updates and reports to the Board of Directors and management. This includes regulatory updates and regulatory breach reports. Group Audit maintains a log of all whistle-blowing cases received and reports the progress and status of whistle-blowing investigations to the Audit Committee. Fraud incidents are also reported to Risk Management Committee.

There were no significant regulatory breaches in 2018.

In 2019 we are working towards weaving the risk culture principles and behaviours into the Human Capital frameworks and processes. We will also continue to adopt a zero-tolerance stance to significant regulatory breaches.

CYBER SECURITY, CUSTOMER PRIVACY AND COMBATING FINANCIAL CRIMES

Cyber Security

Cyber risks continue to be a concern for financial institutions, including Great Eastern. The spate of cyber-attacks and incidents in 2018 that happened worldwide and in Singapore highlighted the seriousness of cyber threats, and we foresee the threat landscape will continue to evolve in 2019. Great Eastern will continue to improve on controls implementation to address cyber and data loss related risks as well as raising our staff awareness on cyber incidents and their vigilance on cyber threats via regular e-mail broadcasting, e-learning and social engineering exercise.

We continuously promote awareness among staff and practitioners on cyber risk and preparedness. Basic cyber security awareness is communicated to all staff via e-learning annually, while specialised training on cyber security response are provided to relevant IT and Cyber Security staff to uplift their skillsets. A Cyber Range exercise was conducted to enable IT and Cyber Security staff to familiarise with the incident response processes in a simulated environment. Learnings from the exercise were used to improve our processes to provide faster response to cyber threats.

A social engineering exercise was also conducted group wide in 2018 for a period of five days to test staff awareness and vigilance against phishing e-mails. To increase the complexity and the authenticity of these e-mails, a total of five different campaigns were designed and used. Besides, testing for staff vigilance in disclosing their personal data, the exercise also tested if the escalation of suspicious e-mails to IT to investigate and block the traffic to these sites. The exercise was concluded with a post campaign awareness e-mail that educates and reinforces the awareness for staff to take precaution when an unknown email has been received.

We will continually invest in new, and refresh of, security technology solutions to keep pace with cyber threats. A Cyber security roadmap has been developed, and various security programs such as security analysis training, "red teaming" exercises to test our cyber response processes, and deployment of "big data" technology such as endpoint detection and user behaviour analytics, will be implemented in 2019 to enhance the capability of Great Eastern to detect and respond to cyber threats.

Customer Privacy

Our customers entrust us to protect their personal information. We recognise our responsibility to protect our customers' privacy, in line with the strict regulations of the Personal Data Protection Act (PDPA).

We take this responsibility for confidentiality of our customers' data very seriously and it is one of our highest priorities to ensure that all details of our customers' policies are safe with us. The group is taking all necessary steps to protect our customers' data so that our customers will continue to have confidence in doing business with us.

Our Group Data Governance Policy clearly defines authority and control over the management of all data owned by or in control of the group and its subsidiaries and branches, in both electronic and non-electronic form. Privacy & Security Policies are in place with a view to keeping the public informed on the purpose of our collection and acceptable use of their personal data. These Privacy & Security Policies are available online at https://www.greateasternlife.com/sg/en/privacy-and-security-policy.html and a reminder of this link is included on the envelopes of all mail sent out to Customers.

Our initiatives to promote PDPA awareness include training to all employees and financial representatives on data governance. Annual e-learning exercises cover different aspects of regulatory topics such as data governance and PDPA. In addition to training, circulars are issued to employees and financial representatives on relevant regulatory updates concerning our industry and their obligations when handling customers' data. Apart from our Group Data Governance Policy, we also have a Data Entry Procedure which gives guidance on how to reflect customers' data in our systems so that there is consistency in data quality.

In 2018, we dovetail with the group's strategies and transformation initiatives for continuous protection of customers' data, including but not limited to automation of customer-related correspondences.

There were no significant cases concerning breaches of customer privacy.

We will continue to strengthen our internal controls and policies to prevent loss of data and to improve better customer experience by refining our processes and customer touch points.

Combating Financial Crimes

At Great Eastern, we are in the business of trust. We recognise that financial crimes negatively affect our reputation and our business. We take proactive measures to guard against being used as a vehicle or as a source of any kind of unlawful transactions.

We conduct our business in accordance with high ethical standards and in compliance with all relevant laws and regulations pertaining to financial transactions, including actively managing risks pertaining to money laundering, terrorism financing, and sanctions (ML/TF/S).

The Group regularly reviews policies, procedures, programmes and transaction monitoring systems to manage the ML/TF/S risk.

RESPONSIBLE BUSINESS PRACTICE

Aiding our AML/CFT efforts is a Group-wide AML/CFT screening and risk scoring system which provides timely automated screening for due diligence checks. The system enables name screening against watch-lists (such as sanctions, terrorists, politically exposed persons and other high risk persons) and categorises the respective person's risk profile based on a set of pre-determined risk factors for the filtering of high-risk persons. This system has been rolled out in Singapore and is currently in progress for Malaysia and Indonesia.

The Group Customer Acceptance Standard sets out the criteria for acceptance of customers. Where a person is identified as high-risk, enhanced due diligence is required and approval from Senior Management is to be obtained prior to business establishment or to continue the business relationship.

For on-going monitoring, it extends beyond reviewing and monitoring customer's transactions to include customer's behaviours and activities as well as the adequacy of customer identification information. Where a suspicious case has been identified, the relevant authorities will be informed and a Suspicious Transaction Report will be filed.

Further, Internal Audit performs a review on our ML/TF/S framework to assess the effectiveness and adequacy of our controls. For any ML/TF/S breaches or incidents of non-compliance, business units are required to file a compliance event report with Group Risk Management and ensure prompt actions are taken to resolve the event.

Our officers are also kept abreast of the latest regulatory changes and developments on AML/CFT as well as emerging types of risk as part of the officer's orientation programme and annual trainings.

All employees are made aware of our policies and standards and all relevant documents are posted in our intranet, making them easily accessible to all employees of the company. All employees are also subjected to training on AML/CFT laws and regulations, customer due diligence measures, detecting and reporting of suspicious transactions, prevailing techniques, methods, trends in ML/TF as well as the Group's internal AML/CFT policy and standards.

We adopt a zero tolerance stance towards fraud, including bribery and corruption. The Group Fraud Risk Management Policy lays the foundation and sets the company's tone from the top with minimum standards and principles in managing fraud risks within the Group.

We also have a Group Insider Trading Policy which sets the minimum standards with regard to the prevention of insider trading within the Group. These are promulgated through compulsory e-learning courses for all employees on a regular basis to raise the level of awareness on the policies requirement.

The Board of Directors together with Senior Management provides strong governance, leadership and oversight to ensure that appropriate and relevant anti financial crime initiatives are carried out.

RESPONSIBILITY TO OUR STAKEHOLDERS

We generate direct and indirect economic value for our various stakeholders and we are committed towards creating a sustainable business model.

ECONOMIC CONTRIBUTIONS

In the course of conducting our business sustainably, we generate direct and indirect economic value for our various stakeholders and society. These contributions come in the form of tangible financial and intangible non-financial values.

Our economic contributions arise from compensation to our employees, taxes to the authorities, dividends to our shareholders and payments to our suppliers. As part of commitment to supporting long-term development of local businesses, we make every effort to procure from local suppliers.

In 2018, our Group generated total income of S$ 12,095 million, with profit attributable to shareholders of S$740.7 million.

in Singapore Dollars (millions)		2018	2017	2016
Society	Operating costs	7,923.5	6,956.0*	6,304.0
	Tax contributions	317.3	402.1	264.1
Employees	Employee costs and related expenses	307.2	359.6*	309.9
Providers of Capital	Interest expense paid on debt issued	18.3	18.3	18.3
	Dividends paid to shareholders	331.3	236.7	260.3

* The Group adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) ("SFRS(I)") on 1 January 2018. With the adoption of SFRS(I), certain figures for 2017 have been restated.

We are committed to creating sustainable economic value for our stakeholders and to continue the distribution of this value in a number of ways.

For further details, please refer to the sections Letter to Shareholders and Financial Statements in this Annual Report.

Total Jobs Offered

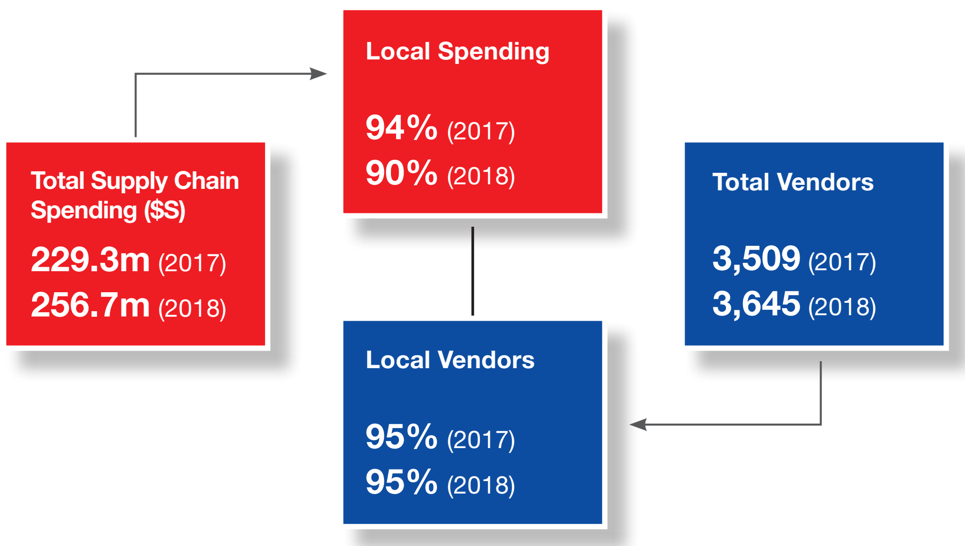
	2018	2017	2016
Employees	4,255	4,153	3,996
Agents	25,864	26,150	25,605
Financial Advisors	2,081	1,762	1,656
Total	32,200	32,065	31,257

RESPONSIBILITY TO OUR STAKEHOLDERS

OUR SUPPLY CHAIN

We procure from local suppliers as part of our commitment towards supporting the long-term development of the local economy in all markets we operate in. We also support local businesses and help create jobs through the goods and services we buy.

Our supply chain includes asset managers, consultancy services, legal, real estate/facilities maintenance, external service providers in IT and other services.



RESPONSIBLE INVESTMENT

In 2018, the Group held S$85 billion in assets on our own accounts and on behalf of our customers.

We are committed to conducting our investment in a responsible manner and take into account financial and ESG factors in our investment decision making while at the same time managing risks and generating sustainable, long-term returns.

In Singapore, we invest with external asset managers who support ESG principles in their investment process, including the incorporation of ESG issues into their ownership practices and policies, as well as their investment analysis and decision-making processes. Many of the asset managers whom we invest with are United Nations Principles of Responsible Investment (UN PRI) signatories. As part of their commitment to ESG principles, they are required to report on their responsible investment activities annually and are scored in an Assessment Report. We evaluate our responsible investment activities by monitoring the Group's allocations to these asset managers and analysing the performance of these investments. As at end 2018, we had S$2.8 billion invested with these asset managers; of these, 74% of our investments in equity funds are managed by UN PRI signatories.

At end 2018, we also had S$1.65 billion allocated to ESG mandates. These mandates adopted a best-in-class approach to select companies with the highest ESG ratings within their sector and region peer group, and to consciously exclude companies with poor ESG ratings and those involved in ESG controversies.

In Malaysia, we support bonds which have been accorded Sustainability Ratings or Second Opinion Reports provided by accredited consultants. The Sustainability Rating of an issuer is based on a holistic methodology developed by RAM Consultancy to measure ESG and positive impact from the alignment of the company's business activities towards United Nations Sustainable Development Goals. The Second Opinion Reports, provided by RAM Consultancy and CICERO, evaluate the projects' contributions towards the development of sustainable and low carbon future. As at end 2018, we had S$109 million (RM330 million) invested in the bonds with Sustainability Rating or Second Opinion Report. GELM also had S$306 million (RM929 million) invested in external asset managers who are UN PRI signatories.

In the next few years, we will start to apply a more integrated approach to ESG. We are working with our subsidiary who is also our key fund manager, Lion Global Investors (LGI), to incorporate ESG considerations into our investment process.

ENVIRONMENT

As an insurance company and a good corporate citizen we have a moral obligation to safeguard the well-being of future generations.

Our operations at our office buildings and branches contribute the most to our direct environmental impact. We constantly explore ways to minimise the carbon footprint arising from our operations.

In Singapore, Orchard Gateway @ Emerald have been accorded Green Mark Gold Certified by the Building and Construction Authority (BCA). We are in the process of getting Green Mark Certification for the Great Eastern Centre and the offices in Nankin Rows in 2019. We target to achieve Green Mark certification for all our buildings in Singapore in future.

In Malaysia, our two latest investment buildings, the Equatorial Plaza Office is a Green Building Index (Gold) certified building, and 50 Jalan Ampang building which is currently under development is targeted to achieve GBI Certified upon completion.

RESPONSIBLE MANAGEMENT OF OUR RESOURCES

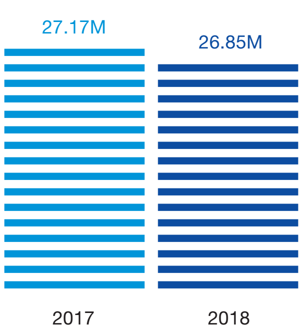
We monitored and reported our energy and emissions and water consumption for our Singapore operations in the 2017 report. In 2018, we have extended the reporting across the Group and also started to track paper usage.

We will continue to monitor and control our environmental impact through our energy, water consumption and paper usage.

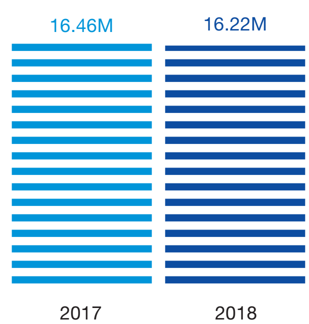
Listed below are the figures for year 2017 and 2018.

ENERGY & EMISSIONS

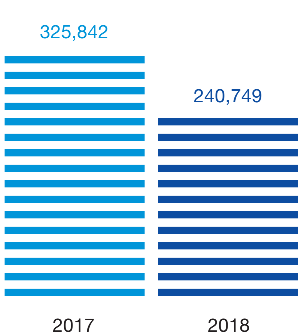
Electricity Used (kWh)



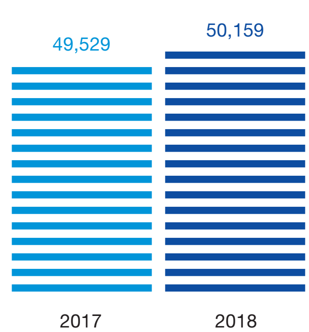
Carbon Emissions (kgCO_2)



Water Consumption (cu/m)



Paper Usage (reams)



PERFORMANCE INDICATORS

Performance Indicators	2018	2017	2016
Total Headcount	4,255	4,153	3,996
Female (<30 years old)	588	599	590
Male (<30 years old)	307	319	311
Female (30-50 years old)	1,795	1,704	1,660
Male (30-50 years old)	1,006	957	921
Female (50 years old and above)	387	396	356
Male (50 years old and above)	172	178	158
Female (SVP and above)	23%	43%	N/A
Female (AVP and VP)	54%	54%	N/A
Female (Managers and Associates)	68%	44%	N/A
Female (Non-executives)	71%	39%	N/A
Individuals within the organization's governance bodies	53	50	N/A
Female	19%	15%	N/A
<30 years old	0%	0%	N/A
30-50 years old	55%	48%	N/A
50 years old and above	45%	52%	N/A
New hires	722	626	618
Female (<30 years old)	206	183	182
Male (<30 years old)	117	132	107
Female (30-50 years old)	204	172	163
Male (30-50 years old)	187	127	155
Female (50 years old and above)	4	8	4
Male (50 years old and above)	4	4	7
Employee Attrition Rate	14.8%	12.8%	13.5%
Female	12.7%	11.8%	N/A
Male	18.8%	15.5%	N/A
Training			
Total training Hours	129,881	96,701^	88,885^
Female	83,323	58,300	N/A
Male	46,558	38,401	N/A
Average training hours per employee	30.5	23.3	23.1
Female	30.1	21.6	N/A
Male	31.4	26.4	N/A

Performance Indicators	2018	2017	2016
Economic Value of Contributions ($ million)			
Total operating income	12,095.0	17,184.3*	12,166.0
Profit attributable to shareholders	740.7	1,036.7*	589.3
Dividend to shareholders	331.3	236.7	260.3
Staff cost and related expenses	307.2	359.6*	309.9
Income tax to government	317.3	402.1	264.1
Operating expenses	7,923.5	6,956.0*	6,304.0
Indirect Economic Contribution			
Total jobs offered	32,200	32,065	31,257
Employee	4,255	4,153	3,996
Agents	25,864	26,150	25,605
Financial Advisors	2,081	1,762	1,656
Suppliers			
Total Purchase ($ million)	256.7	229.3	N/A
Purchase from local suppliers (%)	90%	94%	N/A
Total no of suppliers	3,645	3,509	N/A
Environment			
Electricity used (kWh)	26,847,862	27,167,623	11,731,411**
Carbon emissions (kgCO2)	16,218,050	16,462,470	5,859,260**
Water consumption (cu/m)	240,749	325,842	62,596**
Waste			
Machines Recycled (unit) **	185	126	306
Papers Recycled (kgs) **	51,918	62,567	74,144
Paper Usage (reams)	50,159	49,529	N/A

^ Restated numbers

* The Group adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) (“SFRS(I)”) on 1 January 2018. With the adoption of SFRS(I), certain figures for 2017 have been restated.

** Singapore operations only

N/A Not Available

GRI STANDARDS CONTENT INDEX

Disclosure Number	Disclosure Title	Page Reference and Remarks
Organisational Profile		
102-1	Name of the organisation	Great Eastern Holdings Limited
102-2	Activities, brands, products, and services	Segmental Information section. Refer to page 203-206
102-3	Location of headquarters	1 Pickering Street, Great Eastern Centre, Singapore 048659
102-4	Location of operations	Group Network section. Refer to page 255-257
102-5	Ownership and legal form	Public limited company listed on the Singapore Exchange
102-6	Markets served	Segmental Information section. Refer to page 203-206
102-7	Scale of the organisation	Segmental Information section. Refer to page 203-206 Right People section. Refer to page 67-68 Consolidated Profit and Loss Statement section. Refer to page 117 Balance Sheet section. Refer to page 119
102-8	Information on employees and other workers	Right People section. Refer to page 67-68
102-9	Supply chain	Economic Contributions section. Refer to page 73-74
102-10	Significant changes to the organisation and its supply chain	Nil
102-11	Precautionary Principle or approach	Great Eastern does not explicitly refer to the precautionary principle or approach in its risk management principles.
102-12	External initiatives	Financial Inclusion section. Refer to page 65 We are HCPartner, part of our support for Singapore's Tripartite Alliance for Fair & Progressive Employment Practices' (TAFEP) Human Capital Partnership (HCP) Programme
102-13	Membership of associations	GEL: Life Insurance Association Singapore (“LIA”) GEG: General Insurance Association (“GIA”) GEFA: Association of Financial Advisers (Singapore) (“AFAS”)
Strategy		
102-14	Statement from senior decision-maker	Board Statement. Refer to page 53
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	https://www.greateasternlife.com/sg/en/about-us/company-profile/our-vision-mission-and-values.html
Governance		
102-18	Governance structure	Sustainability Governance section. Refer to page 54
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement section. Refer to page 57-59
102-41	Collective bargaining agreements	In Singapore, the Singapore Insurance Employees' Union (SIEU) represents our applicable employees’ cohort on collective bargaining.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement section. Refer to page 57-59
102-43	Approach to stakeholder engagement	Stakeholder Engagement section. Refer to page 57-59
102-44	Key topics and concerns raised	Stakeholder Engagement section. Refer to page 57-59

Disclosure Number	Disclosure Title	Page Reference and Remarks
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Subsidiaries and Associates section. Refer to page 172
102-46	Defining report content and topic Boundaries	Materiality. Refer to page 60
102-47	List of material topics	Materiality. Refer to page 60
102-48	Restatements of information	Refer to page 73, 76-77
102-49	Changes in reporting	Nil
102-50	Reporting period	About This Report section. Refer to page 52
102-51	Date of most recent report	February 2018
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Corpcomms-sg@greateasternlife.com
102-54	Claims of reporting in accordance with the GRI Standards	About This Report section. Refer to page 52
102-55	GRI content index	GRI Standards Content Index
102-56	External assurance	We have not sought external assurance for this reporting period
Economic Contributions (GRI: Economic Performance)		
103-1	Explanation of the material topic and its Boundary	Economic Contributions section. Refer to page 73-74
103-2	The management approach and its components	Economic Contributions section. Refer to page 73-74
103-3	Evaluation of the management approach	Economic Contributions section. Refer to page 73-74
201-1	Direct economic value generated and distributed	Economic Contributions section. Refer to page 73-74
203-2	Significant indirect economic impacts	Economic Contributions section. Refer to page 73-74
Responsible Investment (GRI: Indirect Economic Impacts)		
103-1	Explanation of the material topic and its Boundary	Responsible Investment section. Refer to page 74
103-2	The management approach and its components	Responsible Investment section. Refer to page 74
103-3	Evaluation of the management approach	Responsible Investment section. Refer to page 74
Customer Experience		
103-1	Explanation of the material topic and its Boundary	Customer Experience section. Refer to page 61-64
103-2	The management approach and its components	Customer Experience section. Refer to page 61-64
103-3	Evaluation of the management approach	Customer Experience section. Refer to page 61-64
NON GRI	Customer Satisfaction Index	Customer Experience section. Refer to page 61-64
Cyber Security, Customer Privacy and Combating Financial Crimes		
103-1	Explanation of the material topic and its Boundary	Cyber Security, Customer Privacy and Combating Financial Crimes section. Refer to page 70-72
103-2	The management approach and its components	Cyber Security, Customer Privacy and Combating Financial Crimes section. Refer to page 70-72
103-3	Evaluation of the management approach	Cyber Security, Customer Privacy and Combating Financial Crimes section. Refer to page 70-72
205-2	Communication and training about anti-corruption policies and procedures	Cyber Security, Customer Privacy and Combating Financial Crimes section. Refer to page 70-72
NON GRI	Cyber Security	Cyber Security, Customer Privacy and Combating Financial Crimes section. Refer to page 70-72
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Cyber Security, Customer Privacy and Combating Financial Crimes section. Refer to page 70-72
Energy		
302-1	Energy consumption within the organisation	Environment section. Refer to page 75
Water		
303-1	Water withdrawal by source	Environment section. Refer to page 75

GRI STANDARDS CONTENT INDEX

Disclosure Number	Disclosure Title	Page Reference and Remarks
Emissions		
305-1	Direct (Scope 1) GHG emissions	Environment section. Refer to page 75
305-2	Energy indirect (Scope 2) GHG emissions	Environment section. Refer to page 75
Employment		
103-1	Explanation of the material topic and its Boundary	Right People. Refer to page 67-68
103-2	The management approach and its components	Right People. Refer to page 67-68
103-3	Evaluation of the management approach	Right People. Refer to page 67-68
401-1	New employee hires and employee turnover	Right People. Refer to page 67-68
404-3	Percentage of employees receiving regular performance and career development reviews	Right People. Refer to page 67-68
405-1	Diversity of governance bodies and employees	
Training and Education		
103-1	Explanation of the material topic and its Boundary	Right People. Refer to page 67-68
103-2	The management approach and its components	Right People. Refer to page 67-68
103-3	Evaluation of the management approach	Right People. Refer to page 67-68
404-1	Average hours of training per year per employee	Right People. Refer to page 67-68
Community Development (GRI: Local Communities)		
103-1	Explanation of the material topic and its Boundary	Corporate Social Responsibility section. Refer to page 44-47
103-2	The management approach and its components	Corporate Social Responsibility section. Refer to page 44-47
103-3	Evaluation of the management approach	Corporate Social Responsibility section. Refer to page 44-47
413-1	Operations with local community engagement, impact assessments, and development programmes	Corporate Social Responsibility section. Refer to page 44-47
Financial Inclusion (GRI FSSD: Local Communities)		
103-1	Explanation of the material topic and its Boundary	Financial Inclusion section. Refer to page 65-66
103-2	The management approach and its components	Financial Inclusion section. Refer to page 65-66
103-3	Evaluation of the management approach	Financial Inclusion section. Refer to page 65-66
FS14	Initatives to improve access to financial services for disadvantaged people	Financial Inclusion section. Refer to page 65-66
Fair Dealing (GRI: Marketing and Labeling)		
103-1	Explanation of the material topic and its Boundary	Fair Dealing section. Refer to page 61
103-2	The management approach and its components	Fair Dealing section. Refer to page 61
103-3	Evaluation of the management approach	Fair Dealing section. Refer to page 61
NON GRI	Fair Dealing True Customer Centricity (Non-GRI material topic)	Fair Dealing section. Refer to page 61
Strong Governance - Regulatory Compliance & Risk Focused Organisation (GRI: Socioeconomic Compliance)		
103-1	Explanation of the material topic and its Boundary	Strong Governance section. Refer to page 70
103-2	The management approach and its components	Strong Governance section. Refer to page 70
103-3	Evaluation of the management approach	Strong Governance section. Refer to page 70
419-1	Non-compliance with laws and regulations in the social and economic area	Strong Governance section. Refer to page 70
NON GRI	Strong Governance - Regulatory Compliance & Risk Focused Organisation	Strong Governance section. Refer to page 70

CORPORATE GOVERNANCE REPORT

As at 5 March 2019

The Board of Directors and Management of Great Eastern Holdings Limited ("GEH" or the "Company") place great importance on high standards of corporate governance and are committed to upholding the values of integrity, honesty and proper conduct at all times in the business operations and dealings of the Company and its subsidiaries (collectively, the "Group").

Since the designation of GEH as a financial holding company by the Monetary Authority of Singapore ("MAS") on 27 April 2012, GEH has adopted the corporate governance practices that conform with the Banking (Corporate Governance) Regulations and any exemptions thereto (collectively, the "CG Regulations"), as well as the MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore 2013 (the "MAS CG Guidelines"). The Company will be early adopting all material aspects of the Code of Corporate Governance 2018 (the "Code"). Where differences exist between the requirements of the above, the Company follows the CG Regulations.

A summary of the disclosures made pursuant to the Company's corporate governance arrangements are provided on Pages 101 to 103 of this Annual Report.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

1. The Board is appointed by the shareholders to supervise the management of the business and affairs of the Company. The prime stewardship responsibility of the Board is to ensure the viability and sustainability of the Company and to ensure that it is managed in the best interests of the Company as a whole while taking into account the interests of shareholders and other stakeholders. The Company has a Board charter approved by the Board.

2. The Company's Board provides strategic direction to, and oversight of the operations of, the Company and the Group. The principal roles and functions of the Board, as set out in the Board charter, include the following:

   (a) reviewing and approving the overall business strategy and the organisation structure of the Company and the Group as developed and recommended by Management;

   (b) ensuring that decisions and investments are consistent with the long-term strategic goals of the Company and the Group and the objectives of the individual policy funds;

   (c) ensuring that interests of shareholders, policyholders and other stakeholders are taken into account in managing the Company's and the Group's business;

   (d) ensuring that the necessary human resources are in place for the Company to achieve its objectives;

   (e) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as policies, processes and guidelines approved by the Board, so as to preserve its financial integrity;

   (f) reviewing the acquisition or disposal of assets that is material to the Company and to the Group;

   (g) providing oversight in ensuring that the risk appetite of the Company and Group reflects its strategic intent, taking into account the operating and regulatory environment, and consists of a balanced set of return objectives and risk tolerance, such as effectiveness of internal controls and capital sufficiency;

   (h) overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures, and system of internal controls;

   (i) overseeing, through the Risk Management Committee, the establishment and operation of an independent risk management function, the adequacy of the risk management policies and systems, and capital management strategy, including the optimal allocation of capital resources, and the quality of the risk management processes and reporting;

   (j) overseeing, through the Nominating Committee, the succession planning for key senior executive positions within the Group, the selection and appointment of senior executive officers, and the management of its talent resources;

(k) establishing corporate values and risk cultures, emphasising integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interests, so as to uphold fair-dealing standards;

(l) providing a balanced and objective assessment of the performance, position and prospects of the Company and the Group to shareholders and the investment community in general. This includes information provided in interim and other price-sensitive public reports and regulatory reports;

(m) overseeing, through the Remuneration Committee, the design and operation of an appropriate remuneration framework and ensuring that the remuneration practices are aligned with the remuneration framework;

(n) reviewing Management's performance and ensuring that Management formulates policies and processes to promote fair practices and high standards of business conduct by staff;

(o) maintaining records of all meetings of the Board and Board Committees, especially with regards to records of discussions on key deliberations and decisions taken; and

(p) formulating strategies, taking into consideration sustainability issues such as environmental and social factors, and reviewing and approving all material environmental, social and governance issues and the sustainability strategy.

3. Directors with conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

Board Approval

4. The Company has adopted internal guidelines on matters which require Board approval. These guidelines are communicated to Management in writing. Matters requiring Board approval include overall business strategy and direction, significant policies governing the operations of the Group, strategic or significant acquisitions, investments and divestments by the Group, corporate restructuring, major corporate initiatives and other Group activities of a significant nature, dividend policy and dividend declaration, the quarterly and year-end financial reporting and announcement of financial results and financial statements of the Company and the Group.

5. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board Committees and Management to optimise operational efficiency.

Board Committees

6. The Board has established a number of Board committees ("Board Committees") to assist it in carrying out more effectively its oversight of the operations and business affairs of the Company and the Group. These Board Committees consist of the Nominating Committee, Remuneration Committee, Audit Committee, Executive Committee and Risk Management Committee. All the Board Committees have been constituted with clear Board-approved terms of reference.

7. The Company's Board Committees, in carrying out their responsibilities in accordance with their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Minutes of Board Committee meetings, which provide a fair and accurate record of the discussions and key deliberations and decisions taken during the meetings, are maintained and circulated to the Board. The composition and details of the principal roles and responsibilities of the Board Committees are set out below.

Executive Committee

8. The Executive Committee is required to comprise a majority of independent Directors.

9. The Executive Committee comprises the following Directors:
   - Mr Koh Beng Seng, Chairman
   - Mr Law Song Keng, Member
   - Mr Lee Fook Sun, Member
   - Mr Thean Nam Yew, Member
   - Mr Samuel N. Tsien, Member

10. Mr Law Song Keng, Mr Lee Fook Sun and Mr Thean Nam Yew are independent Directors under the CG Regulations.

11. The Executive Committee carries out the functions set out in its Board-approved terms of reference. Such functions consist principally of overseeing the management of the business and affairs of the

Company and the Group within the parameters and scope of authority delegated by the Board, and include the review of the Group's policies, strategies, objectives and performance targets, proposed transactions or initiatives of a material nature and any major proposed investment or divestment. The Executive Committee does not take on the functions of the Management. Major decisions of the Executive Committee are submitted to the Board for endorsement and approval.

12. The Executive Committee held a total of four meetings in 2018.

Nominating Committee

13. Under the CG Regulations, the Nominating Committee is required to comprise at least five Directors, with at least one-third of Directors being independent Directors (including the Nominating Committee Chairman) and at least a majority being independent from management and business relationships.

14. The Nominating Committee comprises the following Directors:
    - Mr Lee Fook Sun, Chairman
    - Mr Norman Ip, Member
    - Mr Koh Beng Seng, Member
    - Mr Kyle Lee Khai Fatt, Member
    - Mr Samuel N. Tsien, Member
    - Mr Wee Joo Yeow, Member

15. A majority of the members are independent from management and business relationships and at least one-third, being the Nominating Committee Chairman, Mr Lee Fook Sun, and Mr Kyle Lee Khai Fatt, are independent Directors under the CG Regulations.

16. The appointment and re-appointment of Nominating Committee members are subject to the prior written approval of MAS.

17. The responsibilities of the Nominating Committee are set out in its Board-approved terms of reference. The Nominating Committee reviews the Board and Board Committee compositions annually and ensures that there is progressive renewal of the Board. It is responsible for identifying candidates, reviewing and recommending nominations and/or re-nominations of Directors on the Board and Board Committees. The Nominating Committee also reviews nominations and dismissals or resignations of senior management positions in the Company, including the Group Chief Executive Officer ("Group CEO"), Group Chief Financial Officer ("Group CFO") and Group Chief Risk Officer ("Group CRO").

Talent Development and Succession Planning

18. The Company has instituted a rigorous process for talent development and succession planning. It conducts an annual review of the succession plans for key senior management executives, taking into account the current needs and future strategic capabilities. An annual discussion will be held with the Nominating Committee to review potential successors and their corresponding development plans.

19. The Nominating Committee reviews the talent development framework and processes in order to build a deeper and wider bench strength and a strong talent pool. Critical jobs are identified and potential successors are groomed for key positions. Group Human Capital engages the Group CEO and the respective heads of business units to review the list of critical jobs and the potential successors annually based on current and future business needs.

20. The Nominating Committee held a total of three meetings in 2018.

Audit Committee

21. The Audit Committee is required to comprise at least three non-executive Directors, all of whom are independent from management and business relationships, and at least a majority of Directors (including the Audit Committee Chairman) who are independent Directors.

22. The Audit Committee comprises the following Directors:
    - Mr Kyle Lee Khai Fatt, Chairman
    - Mr Law Song Keng, Member
    - Mrs Teoh Lian Ee, Member
    - Mr Thean Nam Yew, Member

23. All the members are independent Directors and independent from management and business relationships under the CG Regulations. The members have not been partners or directors of Messrs Ernst & Young LLP ("EY"), the external auditor and none of them hold any financial interest in EY.

24. Members of the Audit Committee are appropriately qualified to discharge their responsibilities. In particular, Mr Kyle Lee Khai Fatt and Mr Thean Nam Yew have relevant accounting and auditing experience and Mrs Teoh Lian Ee has experience in taxation and trust law. All the Audit Committee members possess financial management knowledge and experience. The Audit Committee members keep abreast of relevant changes through regular updates from the external auditor on changes to accounting standards and issues which have a direct impact on the financial statements. The Audit Committee carries out its functions in accordance with Section 201B(5) of the Companies Act (Chapter 50), the Code, the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual, the CG Regulations and the MAS CG Guidelines and operates within Board-approved terms of reference which set out the Audit Committee's authority and duties.

25. The Audit Committee has explicit authority to investigate any matter within its terms of reference and has the full co-operation of and access to Management. The Audit Committee has full discretion to invite any Director or senior management executive to attend its meetings. It has resources to enable it to discharge its functions properly.

26. The Audit Committee held a total of eight meetings in 2018. The Audit Committee meetings were attended by the internal and external auditors, the Group CEO and certain senior management executives, including the Group CFO.

27. Further information on the Audit Committee is provided under Principle 10 on Page 96 of this Annual Report.

Remuneration Committee

28. Under the CG Regulations, the Remuneration Committee is required to comprise at least three Directors, with at least one-third of Directors, being independent Directors (including the Remuneration Committee Chairman) and at least a majority being independent from management and business relationships.

29. The Remuneration Committee comprises the following Directors:
    - Mr Lee Fook Sun, Chairman
    - Mr Koh Beng Seng, Member
    - Mr Wee Joo Yeow, Member

30. All the members are independent from management and business relationships. The Remuneration Committee Chairman, Mr Lee Fook Sun, is an independent Director under the CG Regulations.

31. The Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of Directors and senior management executives.

32. The responsibilities of the Company's Remuneration Committee are set out in its Board-approved terms of reference. The Remuneration Committee's principal responsibilities are to recommend to the Board for endorsement a framework of Directors' fees, as well as remuneration of executive Directors and senior management executives. For executive Directors and senior management executives, the framework covers all aspects of remuneration including salaries, allowances, bonuses, share options and other incentives and benefits. The Remuneration Committee also ensures that the Group's remuneration policies and practices are aligned with the approved framework and that remuneration packages are appropriate to attract, retain and motivate the executive Directors and senior management executives without being excessive.

33. The Remuneration Committee held a total of two meetings in 2018.

Risk Management Committee

34. The Risk Management Committee is required to comprise at least three Directors, a majority of whom (including the Risk Management Committee Chairman) are non-executive Directors. The MAS CG Guidelines further stipulate that the members of this Committee should be appropriately qualified to discharge their duties, with at least two having the relevant technical financial sophistication in risk disciplines or business experience.

35. The Risk Management Committee comprises the following Directors:
    - Mr Koh Beng Seng, Chairman
    - Mr Norman Ip, Member
    - Mr Law Song Keng, Member
    - Mr Soon Tit Koon, Member
    - Mr Samuel N. Tsien, Member

36. All the members are non-executive Directors of whom Mr Law Song Keng and Mr Soon Tit Koon are independent Directors. All the members have the relevant technical financial sophistication in risk disciplines or business experience to enable them to discharge their duties effectively.

37. The Risk Management Committee is responsible for the oversight of market, credit, liquidity, insurance, operational, technology, regulatory and compliance risks to manage the financial and reputational impact arising from these risks. It reviews the overall risk management philosophy, including the risk profile, risk tolerance level, and capital management strategy, guided by the overall risk appetite and corporate strategy approved by the Board.

38. The Risk Management Committee performs its functions pursuant to its Board-approved terms of reference. Such terms of reference include the review and approval or endorsement of enterprise risk management framework, major policies, charters and strategies for effective risk management, investment management and asset-liability management. The terms of reference also include the review and approval of major risk management initiatives.

39. The Risk Management Committee endorses the appointment and annual appraisal of the Group CRO who reports directly to the Risk Management Committee and the Group CEO. The appointment of the Group CRO also requires the prior approval of MAS.

40. The Group CRO is responsible for establishing and implementing the Group's risk management framework and processes for identifying, assessing, measuring, controlling, mitigating, monitoring and reporting of risks.

41. The Group Risk Management Department has adequate resources and is staffed by experienced and qualified personnel who are sufficiently independent to perform their duties objectively. The Group Risk Management Department regularly engages senior management executives to develop enterprise-wide risk controls and risk mitigation procedures.

42. The Risk Management Committee held a total of six meetings in 2018.

43. The Group's enterprise risk governance and management objectives and policies and other pertinent details are disclosed in Note 33 of the Notes to the Financial Statements.

Meetings and Directors' attendance

44. The Board meets regularly during the year to review the business performance and key activities of the Group presented by Management, and to deliberate significant business proposals presented by Management. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board works with Management to achieve its stated goals and Management remains accountable to the Board. Where warranted by particular circumstances, *ad hoc* Board or Board Committee meetings will be convened. Each year, the Board and senior management executives meet to review and refresh strategies for the Group. In 2018, the Board held nine Board meetings including one Board Strategy meeting.

45. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. If a Director is unable to attend any Board or Board Committee meeting, he will still receive all the papers and materials to be tabled for discussion at that meeting. Directors are provided with complete, adequate and timely information related to agenda items before each meeting. Directors are also equipped with electronic tablets that allow secured access to Board and Board Committee meeting materials. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, enterprise risk management and audit dashboards, operating plans, forecasts, and reports of variances from operating plans and forecasts.

46. The number of meetings of the Board and Board Committees held in 2018 and the attendance of the Directors at those meetings are tabulated on the next page.

Directors' attendance at Board and Board Committee meetings in 2018

	Board (including Board Strategy)			Nominating Committee			Audit Committee		
	No. of Meetings			No. of Meetings			No. of Meetings		
	Scheduled		*Ad hoc*	Scheduled		*Ad hoc*	Scheduled		*Ad hoc*
Name of Director	Held	Attended	Attended	Held	Attended	Attended	Held	Attended	Attended
Koh Beng Seng	6	6	3	2	2	1	-	-	-
Norman Ip	6	6	2	2	2	1	-	-	-
Law Song Keng	6	6	2	-	-	-	4	4	3
Lee Fook Sun	6	5	3	-	-	-	-	-	-
Kyle Lee Khai Fatt	6	6	3	2	2	1	4	4	4
Soon Tit Koon	6	6	3	-	-	-	-	-	-
Teoh Lian Ee	6	6	3	-	-	-	4	4	3
Thean Nam Yew	6	6	3	-	-	-	4	4	3
Samuel N. Tsien	6	6	2	2	2	1	-	-	-
Wee Joo Yeow	6	5	3	2	2	1	-	-	-

	Remuneration Committee		Executive Committee		Risk Management Committee	
	No. of Meetings		No. of Meetings		No. of Meetings	
	Scheduled		Scheduled		Scheduled	
Name of Director	Held	Attended	Held	Attended	Held	Attended
Koh Beng Seng	2	2	4	4	6	6
Norman Ip	2	2	4	4	-	-
Law Song Keng	-	-	4	4	6	6
Lee Fook Sun	-	-	4	4	-	-
Kyle Lee Khai Fatt	-	-	-	-	-	-
Soon Tit Koon	-	-	-	-	6	6
Teoh Lian Ee	-	-	-	-	-	-
Thean Nam Yew	-	-	-	-	-	-
Samuel N. Tsien	-	-	4	4	6	6
Wee Joo Yeow	2	2	-	-	-	-

Directors' attendance at the annual general meeting ("AGM") of the Company is not included in the above table.

There were 2 Board sessions without Management held in 2018. Directors' attendance at these sessions is not included in the above table.

The number of meetings indicated in "Held" above reflects the number of meetings held during the time the respective Directors held office.

Total number of *ad hoc* meetings held in 2018 – Board:3, Audit Committee: 4, Nominating Committee: 1

Access to Information

47. The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. For matters requiring approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management's recommendation. The senior management executives who can provide additional information and insight or provide clarifications to queries raised are usually present at the meeting during discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board and Board Committees members have unfettered access to information, which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

48. Information furnished to the Board on an on-going basis includes the business forecasts, monthly Group financials and quarterly reports on the financial results and performance of the Group and principal subsidiaries within the Group, with explanations of material deviations between actual results and business plans and/or budgets. Management also provides the Board with information on material risks facing the business, including credit, market, liquidity and operational risks.

49. Directors have separate and independent access to the Company Secretary and to senior management executives of the Company and the Group at all times.

50. The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, she ensures good information flow within the Board and Board Committees, and between senior management executives and non-executive Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors, as required. The appointment and removal of the Company Secretary is considered to be a matter for the Board as a whole.

51. The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively. Similarly, the Board and Board Committees may obtain professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities. All engagements of external advisers are at the Company's expense.

Board Orientation and Development

52. Upon the appointment of a new Director, the newly-appointed Director will be apprised of his/her statutory and fiduciary duties and obligations and issued a Director's orientation kit which will include key information on the Company and the Group, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Group CEO and senior management executives will conduct presentation sessions for new Directors on the Group's principal activities, strategic plans and business operations and the induction programme will be tailored to the specific development needs of the new Directors. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the roles and responsibilities of Directors and to enable them to have a more comprehensive understanding of the Group, the insurance business and practices and the Group's financial positions.

53. The Nominating Committee ensures that there is a continuous professional development programme for all Directors, to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Company arranges for new Directors to be briefed on areas such as accounting, risk management, insurance and for first-time Directors to undergo training in roles and responsibilities of directors of listed companies as prescribed by SGX-ST. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry, relevant new laws, regulations and changing commercial risks and provides updates on developments in the industry locally and in other developed countries. Industry-related and topical articles are regularly circulated to Directors as part of the Company's continuous development programmes for Directors. Continued training and development programmes are offered to Directors and they may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the Singapore Institute of Directors where relevant.

54. The Company arranges for and funds the training and development programmes for existing and new Directors. The Company also maintains formal records of the training and development received by its Directors.

55. Continuing development programmes arranged by the Company for Directors in 2018 covered the following subjects:
- Anti-Money Laundering/Countering the Financing of Terrorism
- Fintech/Insurtech
- Digital Transformation and Cybersecurity
- Global Digital Trends Impacting Health Insurance Business
- Target IT Architecture Blueprint to Enable Digital Capabilities
- Emerging Technology Trends in China
- IFRS 17

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board Membership

56. The Company's present Board of ten Directors comprises a non-executive Chairman, Mr Koh Beng Seng, and nine other non-executive Directors. The nine non-executive Directors are Mr Norman Ip, Mr Law Song Keng, Mr Lee Fook Sun, Mr Kyle Lee Khai Fatt, Mr Soon Tit Koon, Mrs Teoh Lian Ee, Mr Thean Nam Yew, Mr Samuel N. Tsien and Mr Wee Joo Yeow. Board members do not appoint alternate directors as a matter of practice.

57. All appointments and re-appointments of Directors of the Company are subject to approval by MAS.

Key information on Directors

58. Key information on the Directors' qualifications, background, working experience, age, directorships and appointments are provided on Pages 16 to 20 and Pages 246 to 252 under the sections "Board of Directors" and "Further Information on Directors" of this Annual Report respectively. Information on their shareholdings in the Company and its related corporations are provided in the Directors' Statement on Pages 106 and 107 of this Annual Report. The Company does not grant share options to non-executive Directors of the Company. The Directors do not hold shares in the Company's subsidiaries.

59. Key information on each Director of the Company's principal insurance subsidiaries in Singapore, namely, The Great Eastern Life Assurance Company Limited ("GEL") and Great Eastern General Insurance Limited ("GEG") is also set out under the section "Board of Directors" on Pages 22 and 23 of this Annual Report.

Board Composition and Independence

60. The Company determines the independence of its Directors in accordance with the requirements under the CG Regulations. Under the CG Regulations, an independent Director of the Company is one who is independent from the substantial shareholders of the Company, and management and business relationships with the Company and its subsidiaries, and has not served for more than nine years on the Board. He/She is also independent in conduct, character and judgment.

61. Under the CG Regulations, the Board is required to comprise a majority of independent Directors.

62. The Company's Board comprises a majority of independent Directors. The Nominating Committee determines annually whether a Director is independent. Taking into consideration the definition of "independence" of a Director under the CG Regulations, the Nominating Committee has determined that the Company's independent Directors are currently Mr Law Song Keng, Mr Lee Fook Sun, Mr Kyle Lee Khai Fatt, Mr Soon Tit Koon, Mrs Teoh Lian Ee and Mr Thean Nam Yew.

63. Mr Norman Ip, Mr Law Song Keng and Mr Soon Tit Koon are non-executive Directors of companies that have purchased insurance or provided reinsurance to the Company's subsidiaries. Such business transactions have been conducted in the ordinary course of business, on an arm's length basis and on reasonable commercial terms. The Nominating Committee considers them to be independent of business relationships as they are not involved in the day-to-day conduct of these companies' businesses and are of the view that these business relationships do not affect their ability to act independently.

64. Mr Lee Fook Sun is a non-executive Chairman of a company that was awarded a contract by GEL, a wholly owned subsidiary of the Company, in the financial year ended 31 December 2018 ("FY2018") through a competitive bidding exercise by GEL and the contract value was not material. Mr Lee, as a non-executive Director of that company, would be substantially removed from the actual business transactions

between that company and GEL. The Nominating Committee considers him to be independent of business relationships as he is not involved in the day-to-day conduct of that company's business and is of the view that this business relationship does not affect his ability to act independently.

65. Under the CG Regulations, Koh Beng Seng and Mr Norman Ip are deemed non-independent as both of them have served for nine years or more on the Board. However, they are independent from the substantial shareholder of the Company, and management and business relationships with the Company and its subsidiaries.

66. Mr Wee Joo Yeow is a non-independent Director as he is a member of the Board of OCBC Bank and hence, under the CG Regulations, is not independent from the substantial shareholder of the Company. As Mr Wee Joo Yeow is an independent Director of OCBC Bank, he has been determined by the Nominating Committee to be independent from management and business relationships with the Company and its subsidiaries.

67. Mr Samuel N. Tsien is a non-independent Director as he is the Group Chief Executive Officer and Executive Director of OCBC Bank.

68. The current Board complies with the requirements on Board composition and Board independence under the CG Regulations. Six out of ten of the Board members are independent Directors and all Board members are non-executive Directors.

69. The Board, through its Nominating Committee, is of the view that the current Board and Board Committees are of an appropriate size to facilitate effective decision-making, taking into account the scope and nature of the operations of the Company and the Group.

70. A Board Diversity Policy, setting out the approach to diversify the appointment of members and composition of the Board, is published on the Company's website. In the appointment of Board members, the policy embraces the diversity of skills, knowledge, experience including familiarity in the Company's core markets, age, gender and length of service as well as merit and independence. Steps are taken to improve effectiveness, where necessary. The Board, through its Nominating Committee, assesses the diversity of its members' competency profiles, including gender representation, and determines the collective skills required to discharge its responsibilities effectively.

71. The Company's Board members have diverse backgrounds, experience and qualifications, and bring a wide range of commercial and financial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company and the Group, including industry knowledge in insurance (such as key products and customers) and actuarial science, investment and asset management (such as real estate and property), knowledge in banking, accounting, finance, strategy formulation, management experience, risk management, technology, transformation management, taxation, trust law, cyber security and familiarity with regulatory requirements. Several Directors also have experience in jurisdictions outside Singapore such as Malaysia, Indonesia and Greater China. At least one of the independent Directors has experience in the insurance industry. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Female representation on the Board is currently 10%.

72. With the knowledge, objectivity and balance contributed by the non-executive Directors, the Board constructively challenges and enhances proposals on strategy, reviews the performance of Management against agreed goals and objectives, and monitors the reporting of performances.

73. The non-executive Directors met twice during the year without the presence of Management to discuss matters such as the performance and effectiveness of Management.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

74. The Chairman and the Group CEO are not related to each other. The roles of the Chairman, Mr Koh Beng Seng, and the Group CEO, Mr Khor Hock Seng, are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision-making. The Company has Board-approved internal guidelines setting out the scope of authority of the Chairman and the Group CEO.

75. The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving agendas of Board meetings, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.

76. The Group CEO manages the Company and oversees the Group's operations and implementation of the Group's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Group's businesses, including implementing Board's decisions, is carried out with the assistance of the senior management executives of the Group. Collectively, they are responsible for the day-to-day operations and administration of the Company and the Group, ensuring, *inter alia*, operational and organisational efficiency, profitable performance of the operating units, regulatory compliance, good corporate governance and effective risk management. The Board establishes the performance targets of the Group CEO and reviews his performance against the targets annually.

77. The Board has not appointed a Lead Independent Director as the Chairman and the Group CEO are already separate persons, are not related to each other and the Chairman is not involved in the day-to-day running of the Company's business and operations. The Chairman is independent from the substantial shareholder of the Company, and management and business relationships with the Company and its subsidiaries. He is also independent of the Management and performs an effective check and balance on the Management. The Board has a majority of independent Directors and the Directors are able to exercise independent and objective judgment. As part of its continuous assessment of corporate governance standards, the Board will appoint a Lead Independent Director when the Board situation warrants it.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Process for appointment of new Directors

78. The Nominating Committee has a key role in carrying out the formal and transparent process established for the appointment and re-election of Directors to the Board. Taking into account the competencies and skills required by the Board, the Nominating Committee establishes annually the profile required of the Board members, before making any recommendations on the appointment of new Directors, where necessary. The Nominating Committee may engage external search consultants to source for potential candidates. Proposals for the appointment of new Directors are reviewed by the Nominating Committee. The Nominating Committee meets with short-listed candidates to assess their suitability and commitment. Competent individuals are nominated for Board approval after the Nominating Committee has assessed their suitability taking into consideration, amongst others, their professional qualifications, integrity, financial and commercial business experience and field of expertise relevant to the Group, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board.

79. In addition, the Nominating Committee further determines the proposed candidate's independence under the CG Regulations and ensures that the proposed candidate would satisfy the criteria under the CG Regulations in that his/her appointment would not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he/she is a fit and proper person for the office, taking into account his/her track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Nominating Committee. Such reviews are also conducted on an annual basis to ensure that each Director remains qualified for the office based on the above criteria.

Re-nomination and Re-election of Directors

80. All Directors of the Board are required to submit themselves for re-nomination and re-election at regular intervals, at least once every three years. At each AGM of the Company, one-third of the Directors, being those who have served longest in office since their re-election, are required to retire by rotation in accordance with the Company's Constitution. Pursuant to the Company's Constitution, newly appointed Directors will hold office

until the next AGM and, if eligible, can stand for re-election. Retiring Directors are eligible for re-election when re-nominated by the Nominating Committee, taking into account the Directors' attendance at meetings, their expertise, knowledge and commitment, and their contributions to Board discussions and to the effectiveness of the Board.

81. The Directors who are retiring by rotation under Article 97 of the Company's Constitution and standing for re-election at the 2019 AGM are Mr Norman Ip, Mr Kyle Lee Khai Fatt, Mr Samuel N. Tsien and Mr Wee Joo Yeow.

82. Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Directors provide declarations of changes in their other appointments which are disseminated to all Board members. The Company has established guidelines on meeting attendance and the extent of other appointments outside the Company that a Director may assume. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than three other listed companies, while a Director who does not have any full-time employment shall have appointments in no more than six other listed companies. Each of the Directors' listed company directorships and principal commitments are provided on Pages 246 to 252 under the section "Further Information on Directors" of this Annual Report. The Nominating Committee annually assesses each Director's attendance record and degree of participation at meetings to determine if a Director is able to and has been diligently discharging his/her duties as a Director of the Company.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

83. The Board has an annual performance evaluation process, carried out by the Nominating Committee, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees. The assessment of the contributions of individual Directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year.

84. An external party is engaged after every three years to facilitate the Board evaluation process and to provide the Board with an independent perspective of the Board's performance, including benchmarks against peer boards and industry best practices. In 2018, the Nominating Committee engaged Aon Hewitt to facilitate the Board evaluation process. Aon Hewitt and its consultants are independent and not related to the Company or its Directors.

85. The 2018 Board evaluation questionnaire focused on areas such as competency and independence, information quality and timeliness, conduct of meetings, corporate social responsibility, managing performance, succession planning, Directors development, internal controls and risk management as well as Board Committees. The Board Chairman and/or Nominating Committee Chairman will act upon the feedback provided to enhance the Board's performance.

86. The purpose of the evaluation is to increase the overall effectiveness of the Board. The Board has found the evaluation process useful and constructive since its implementation more than ten years ago. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board.

REMUNERATION MATTERS

Principle 6: Procedures For Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

87. The objective of the Group's remuneration policy is to attract, motivate, reward and retain quality personnel.

88. In considering its recommendations to the Board and in approving remuneration, the Remuneration Committee ensures that remuneration policies are in line with the Group's strategic objectives and corporate values, and do not give rise to conflicts between the objectives of the Company and interests of individual Directors and key executives.

89. The Remuneration Committee is tasked to review and recommend to the Board the general remuneration framework as well as the specific remuneration for each Director and for each key executive. The composition

and summary terms of reference of the Remuneration Committee are provided on Page 84 of this Annual Report. No Director is involved in the deliberations regarding any remuneration, compensation or any form of benefits to be granted to himself/herself.

90. The Remuneration Committee members are well-versed in executive compensation matters, given their extensive experience in senior corporate positions and major appointments. They also have access to expert advice from external independent remuneration consultants, where necessary. The Remuneration Committee will ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

91. In 2018, Willis Towers Watson provided independent advisory services on the Group's compensation framework to ensure greater alignment of pay policies and practices with market and regulatory standards. Willis Towers Watson is not related to the Company and the Company is not aware of any business or personal relationship between Willis Towers Watson and the Company's Directors and key management executives.

92. The Company does not provide any termination, retirement and post-employment benefits to its key management personnel.

Principle 7: Level and Mix of Remuneration

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Remuneration of non-executive Directors

93. The non-executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings and the frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors.

94. The Remuneration Committee performs an annual review of the structure for Directors' fees and of the computation of the aggregate Directors' fees based on the earlier Board-approved fee structure, before recommending any proposed changes to the Board for endorsement. The Directors' fees proposed by the Board each year are subject to shareholders' approval at the Company's AGM.

95. In its review of the non-executive Directors' remuneration, the Remuneration Committee can seek expert advice, if necessary. No consultant was engaged in 2018 to provide advice on the remuneration of non-executive Directors.

96. The Remuneration Committee has considered the market practices for non-executive Directors' compensation and, on its recommendation, the Board has decided to use the same fee structure for computing the fee for each non-executive Director for FY2018 as that used in the previous financial year (in the table set out below):

		Annual retainer
Board	Chairman	$300,000
	Member	$75,000
Board Committees	Chairman: • Audit Committee • Executive Committee • Risk Management Committee	$60,000
	Chairman: • Nominating Committee • Remuneration Committee	$30,000
	Member: • Audit Committee • Executive Committee • Risk Management Committee	$30,000
	Member: • Nominating Committee • Remuneration Committee	$15,000
Attendance fees per Board or Board Committee meeting		$3,000

Attendance fees are paid to non-executive Directors to recognise their contributions and time spent in attending meetings.

Remuneration policy in respect of Key Senior Management Executives

97. The remuneration of the Group CEO and the key senior management executives who report directly to the Group CEO are reviewed annually by the Remuneration Committee, based on the overall remuneration framework approved by the Board.

98. In such annual reviews, the Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration is commensurate with individual performance and contribution. The Remuneration Committee also takes into account the time horizon of risks, such as ensuring that all variable compensation payments shall not be fully paid over short periods when risks are realised over longer periods.

99. As part of the Company's continuous efforts to create sustainable value for stakeholders through broad-based growth across its core markets, delivering sustained earnings, driving core competencies of disciplined risk management, prudent investment and continued upgrading of technology and people, and ensuring sustainable business practices, the performance measures set for each business unit embeds these objectives, which match their functions and are consistent with the Group's risk appetite. In determining the remuneration of key senior management executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing their overall performance, in addition to their achievement in business and operation performance. Executives are remunerated based on the achievements of their own performance measures, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles.

100. To ensure that its remuneration packages are competitive, the Company regularly reviews salary levels and benefits packages based on market data provided by recognised consultants who conduct surveys on comparative groups in the financial sector. The determination of the Company's variable bonus pool is fully discretionary and the factors taken into consideration include financial and non-financial metrics such as the Company's performance, audit ratings, risk indicators and compliance issues, market conditions and competitive market practices.

101. The total compensation packages for key senior management executives comprise basic salary, various performance bonus, allowances, deferred share awards and benefits. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Remuneration Committee and the Board.

102. The annual budget for salary increment and performance-related variable bonus, reviewed and approved by the Remuneration Committee, is submitted to the Board for endorsement and approval.

103. As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has adopted compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it also continues to review its compensation practices on an on-going basis to further ensure that decisions made are conducive for sustained business performance. In its deliberations, the Remuneration Committee also takes into account the remuneration principles, practices and standards that may be specified by the MAS from time to time.

104. The Company has identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Company. This group, identified as "Material Risk Takers" comprises the Group CEO and his direct reports, key personnel at business units and senior control staff. Employees who are not senior staff but are identified as "Material Risk Takers" are also included in this group.

Share-based incentives

105. The Company does not have any share option scheme or share plan in place. Instead, the Company's holding company, OCBC Bank, grants share awards pursuant to the OCBC Deferred Share Plan to selected senior executives of the Group, based on recommendations of the Remuneration Committee. The Company has ceased granting OCBC share options to eligible executives with effect from FY2019 for FY2018 performance.

106. Details of the share options (granted previously) and the award of deferred shares to the Company's eligible executives are disclosed in the financial statements. Further details of the above share option scheme and share plan are set out in Note 29 of the Notes to the Financial Statements and in OCBC Bank's Annual Report.

107. All grants and awards are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Company's risk profile/rating.

Principle 8: Disclosure on Remuneration

The company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationships between remuneration, performance and value creation.

Disclosure on Directors' and the Group CEO's remuneration

108. The remuneration of each individual Director and the Group CEO in respect of FY2018 is shown in the table below. Non-executive Directors will be paid Directors' fees totalling $2,263,000 in respect of FY2018, subject to shareholders' approval at the 2019 AGM. For the financial year ended 31 December 2017, non-executive Directors were paid Directors' fees totalling $2,143,000.

Remuneration of Top Five Key Management Personnel in 2018

109. The Code recommends the disclosure of the remuneration of the Company's top five key management personnel individually, as well as their aggregate remuneration. The Board considered this matter carefully and has decided against such disclosure for the time being as it is not a standard business practice to do so, having taken into account the highly competitive conditions for talent in the industry.

Remuneration of Immediate Family of Directors / Group CEO / Substantial Shareholder

110. None of the Directors or the Group CEO of the Company had immediate family members who were employees of the Company in 2018. As the Company's substantial shareholder, OCBC Bank, is not an individual, the disclosure on remuneration of employees who are immediate family of substantial shareholders is not applicable.

Directors' and the Group CEO's remuneration for FY2018

Name	Total Remuneration (Great Eastern Group) $'000	Directors' Fees (GEH) $'000	Directors' Fees (Subsidiaries) $'000	Salary $'000	Bonuses(1) $'000	Long-term incentives(2) $'000	Benefits-in-kind(3) $'000
Directors							
Koh Beng Seng	537	525	-	-	-	-	12
Norman Ip(4)	423	219	204	-	-	-	-
Law Song Keng	243	243	-	-	-	-	-
Lee Fook Sun	170	170	-	-	-	-	-
Kyle Lee Khai Fatt(5)	262	221	41	-	-	-	-
Soon Tit Koon	162	162	-	-	-	-	-
Teoh Lian Ee	162	162	-	-	-	-	-
Thean Nam Yew	188	188	-	-	-	-	-
Samuel N. Tsien(6)	222	222	-	-	-	-	-
Wee Joo Yeow	150	150	-	-	-	-	-
Group CEO							
Khor Hock Seng	5,680	-	-	1,100	1,500	2,750	330

Notes:
(1) Bonuses comprise variable bonus paid in 2018.
(2) Represents fair value of grant of shares options under the OCBC Share Option Scheme 2001, award of deferred shares under the OCBC Deferred Share Plan and long-term incentive take-out.
(3) Represents non-cash-component and comprises housing allowance, car, club, insurance benefits and employer's contribution to the Central Provident Fund.
(4) Mr Norman Ip received Director's fees for his board service in respect of GEH subsidiaries in Singapore and Malaysia.
(5) Mr Kyle Lee Khai Fatt received Director's fee for his board service in respect of a GEH subsidiary in Singapore.
(6) The Director's fee attributable to Mr Samuel N. Tsien is paid to OCBC Bank.

ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interest of the company and its shareholders.

111. The Board is responsible for the governance of risk. It sets the tone for the Company's risk culture and monitors, through the Risk Management Committee, the effectiveness and adequacy of the risk management processes and systems of the Company and its principal subsidiaries. The Board approves the Company's risk appetite and has oversight of the risk activities to ensure that the Company's strategic intent, operating environment, internal control mechanisms and capital sufficiency are consistent with the Company's risk appetite and regulatory standards.

112. The Board of Directors emphasizes the importance of institutionalizing a strong risk culture within the Company. As a subset of the broader organizational culture, a strong risk culture supports appropriate risk awareness, bolsters effective risk management and promotes sound risk taking to ensure the Company's risk profile remains within its risk appetite. The Board also approves the risk culture principles and, along with it, the set of desired risk culture behaviors to support the target risk culture throughout the Company.

Accountability

113. The Company has in place a process for Management to represent to the Board on the integrity of the Company's and the Group's financial statement and internal control system in relation to the requirement under the listing manual of SGX-ST for the Board to issue an assurance statement that accompanies the Company's announcements of its quarterly and full year financial results.

114. The Board is kept apprised of material changes in legislations and regulatory requirements, including requirements under the listing manual of SGX-ST. The Board takes necessary steps to ensure that the Company complies with these requirements. In compliance with SGX-ST Listing Rule 720(1), the Company has procured undertakings from its Directors and key executive officers in the form prescribed by the SGX-ST.

115. To keep Board members informed and updated, Management provides the Board with monthly financial updates on the performance and position of the Group. The Board is also updated on any significant events that have occurred or affected the industry during the year.

Internal Controls

116. The Board is responsible for ensuring that the Company's system of internal controls is adequate to safeguard shareholders' interest and the Company's assets. The Company has in place, self-assessment processes for all business units to assess the adequacy and effectiveness of their systems and processes of internal controls, and their level of compliance with applicable rules and regulations. The results of evaluations are reviewed by senior management executives. The Board has received assurance from the Group CEO (which includes assurance provided by key management personnel to the Group CEO) on the effectiveness of the Company's risk management and internal control systems. The Board also received assurance from the Group CEO and Group CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and financial position.

117. Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the Audit and Risk Management Committees, is of the view that the system of internal controls, including financial, operational, compliance and information technology controls as well as risk management systems, was adequate as at 31 December 2018, to address the risks which the Group considers relevant and material to its operations.

118. The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

119. The composition of the Audit Committee is provided under the caption "Audit Committee" on Page 83 of this Annual Report. The Audit Committee adopts, where appropriate, relevant best practices set out in the Guidebook for Audit Committees in Singapore.

120. The responsibilities of the Audit Committee are set out in its Board-approved terms of reference. The functions performed by the Audit Committee and details of the Audit Committee's activities during FY2018 included the following:

120.1 Reviewed with the internal auditors:

120.1.1 their audit plans, their evaluation of the system of internal controls and their audit reports;

120.1.2 the scope and results of the internal audits; and

120.1.3 the assistance given by the officers of the Company and the Group to the auditors.

120.2 Reviewed with the external auditor:

120.2.1 the audited financial statements of the Company and the Group for the financial year which are prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") and SFRS(I) Interpretations for submission to the Board for consideration and approval thereafter;

120.2.2 their scope and overall audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them;

120.2.3 the implications and impact on the financial statements of proposed implementation of new financial reporting standards and any changes in accounting policies and regulatory requirements; and

120.2.4 any significant financial reporting issues, to ensure the integrity of the financial statements of the Company and the Group, and reviewed the draft announcement relating to the financial performance of the Company and the Group.

120.3 Reviewed the audited financial statements with Management, including discussion on the accounting policies applied and significant judgments affecting the financial statements. The following key audit matters highlighted in the Independent Auditor's Report on Pages 110 to 114 of this Annual Report were also discussed with Management and the external auditor:

120.3.1 *Adoption of SFRS(I) and change in basis of preparation of the financial statements* – The Audit Committee has reviewed the appropriateness and reasonableness of the transition adjustments and disclosures relating to the adoption of SFRS(I) and the basis in determining insurance fund profit.

120.3.2 *Adoption of SFRS(I) 9 and valuation of financial investments* – The Audit Committee has reviewed the impact of the adoption of SFRS(I) 9, including the valuation methodology for investments, Management's computation of impairment using the approved expected credit loss methodology, and the appropriateness of related disclosures. The Committee also held discussions with Management to ensure investment related policies, controls and operation processes are in place for proper valuation of financial investments.

120.3.3 *Valuation of insurance contract liabilities* – The Audit Committee has reviewed the insurance contract liabilities, and the key assumptions and judgments made in valuing these liabilities. The Committee considered information on key assumptions such as mortality, morbidity, lapse rate, expense, loss ratio etc. The review included the methodology used in the valuation of the liabilities, rationale for changes to key assumptions during the year and explanation on the variances against past trends.

120.3.4 *Valuation of provision for tax and deferred taxation* – The Audit Committee has reviewed Management's analysis of the changes in tax and deferred tax provision during the year. The Committee also considered the input from Management on the adequacy of the provision.

No significant issue arose in respect of these items.

120.4 Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls and risk management systems of the Company and its principal subsidiaries, including financial, operational, compliance and information technology controls and systems established by Management.

120.5 Reviewed the assurance from the Group CEO and Group CFO on the financial records and financial statements.

120.6 Assessed the adequacy and effectiveness of the internal audit functions of the Company and its principal subsidiaries.

120.7 Assessed the independence of the external and internal auditors.

120.8 Made recommendations to the Board on the re-appointment of the external auditor and approved the remuneration and terms of engagement of the external auditor.

120.9 Reviewed material and/or special related party transactions and the write-off of material related party transactions as may be required by the relevant regulatory authorities, and recommend to the Board for approval.

120.10 Reviewed interested person transactions as may be required by the relevant regulatory authorities as well as transactions that will be disclosed in the Annual Report.

121. The Audit Committee undertook a review of all relationships between the Group and the external auditor (including non-audit services provided by the external auditor) for FY2018, and is satisfied that the provision of such non-audit services would not, in its opinion, affect the independence of the external auditor. Please refer to Note 7 of the Notes to the Financial Statements for details of fees payable to the external auditor in respect of audit and non-audit services.

122. Taking into account the aforesaid and other factors such as the size and complexity of the Group and the adequacy of resources and experience of the external auditor as well as the external auditor's compliance with SGX-ST Listing Rules that require the lead engagement partner to be rotated every five years, the Audit Committee has nominated the re-appointment of EY as the external auditor at the forthcoming AGM. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its external auditor.

123. The Audit Committee noted that the current external auditor, EY, has served as external auditor of the Company since its incorporation in 1999.

124. In line with good corporate governance practice, the Audit Committee is of the view that a change of external auditor is in the best interests of the Company and its shareholders. Taking into consideration the requirement of the SGX-ST Listing Manual, the Audit Committee initiated an audit tender exercise.

125. Four international audit firms were invited to tender for the appointment and all four firms submitted proposals. Management meetings were organised for each firm, allowing them equal access to senior management across our key locations before they submitted their written proposals. Presentations by each firm were made to a selection panel comprising members of the Audit Committee and the Audit Committee chairmen of the key subsidiaries. The selection panel reviewed and deliberated on the proposals received from each of the audit firms, taking into consideration the audit quality indicators introduced by the Accounting and Corporate Regulatory Authority and the criteria for the evaluation and selection of the external auditors contained in the Guidebook for Audit Committees in Singapore, including factors such as the adequacy of the resources and experience of the auditing firm and the proposed audit engagement partner, the audit firm's other engagements, and the number and experience of supervisory and professional staff to be assigned. Management feedback was also sought and presented as part of the deliberations by the panel. An independent and objective approach was adopted throughout the process.

126. After due consideration, the selection panel recommended through the Audit Committee, PricewaterhouseCoopers LLP for nomination as external auditor commencing the financial year ending 31 December 2020. The Board has taken into account the Audit Committee's recommendation, including the factors considered in their evaluation, and is satisfied that PricewaterhouseCoopers LLP will be able to meet the audit requirements of the Company.

127. The proposed change of external auditor would also provide the Company with fresh perspectives and views of another professional audit firm and thus, could further enhance the value of the audit. Subject to the requisite approvals, notices, clearances and consents being obtained, the proposed appointment will be presented for shareholders' approval at the 2020 AGM.

128. The scope of audit services to be provided by PricewaterhouseCoopers LLP will be comparable to those currently provided by EY.

129. The Group has also instituted a whistle-blowing policy whereby staff of the Group and external parties may raise concerns on possible improprieties in matters of financial reporting or other matters in confidence. The whistle-blowing policy and procedures for raising such concerns are disclosed and clearly communicated to employees. All whistle-blowing incidents will be reported to the Audit Committee. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistle-blower will have protection against reprisals provided he/she has acted in good faith.

130. The Audit Committee, in performing its functions, met at least annually with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately. The auditors, both internal and external, have unrestricted access to the Audit Committee, and to information and such persons within the Group as necessary to conduct the audit.

Internal Audit

131. The internal audit function ("Group Internal Audit") serves to provide the Board and Management with an independent appraisal of the reliability, adequacy and effectiveness of the system of internal controls established by Management, to ensure that transactions are promptly and accurately recorded and that the Group's assets are safeguarded. Group Internal Audit resides in-house and is independent of the activities it audits. Its terms of reference are approved by the Audit Committee.

132. Group Internal Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, including not only financial risks, but operational, technology, compliance and strategic risks as well. The work undertaken by Group Internal Audit involves the assessment of the adequacy and effectiveness of the Group's risk management and internal control framework, including ascertaining if the internal controls are sufficient in ensuring prompt and accurate recording of transactions and the adequate safeguarding of assets. Reviews conducted by Group Internal Audit also focus on the Group's compliance with relevant laws and regulations, adherence to established policies and processes and whether Management has taken appropriate measures to address control deficiencies.

133. The Head of Group Internal Audit reports to the Chairman of the Audit Committee and administratively to the Group CEO. His annual remuneration, evaluation, appointment, resignation and removal are approved by the Audit Committee.

134. Group Internal Audit is staffed by executives with the relevant qualifications and experience, and the Audit Committee ensures that Group Internal Audit is adequately resourced. Group Internal Audit has unfettered access to the Board, the Audit Committee and senior management executives, where necessary, and has the right to seek information and explanations as well as access to all the Company's documents, records, properties and personnel. Group Internal Audit meets or exceeds the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

135. Group Internal Audit reports to the Audit Committee its annual or periodic plan and the proposed areas of audit focus, factors that may adversely affect the Group Internal Audit's independence, objectivity or effectiveness and material findings from audits conducted. During the year, Group Internal Audit carried out audits on selected significant business units in the Group, including an audit review of the IT systems. Group Internal Audit's summary of major findings and recommendations and Management's related responses were discussed at Audit Committee meetings. The Audit Committee ensures that procedures are in place to follow up on the recommendations by

Group Internal Audit in a timely manner and to closely monitor any outstanding issues. The Audit Committee also reviews annually the adequacy, independence and effectiveness of the internal audit function.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

136. The Board is responsible for providing to shareholders a balanced and understandable assessment of the performance, position and prospects of the Group, including financial statements and other reports.

137. The Board provides to shareholders, on a quarterly basis, the financial statements of the Group for the first, second and third quarters of the year and for the full year, as applicable, together with a balanced review of the Group's performance, position and prospects. These financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET to the SGX-ST, then posted on the Company's website and also made available in press releases. The Company's Annual Report is sent to all shareholders and the contents are also available on the Company's website.

Communication with Shareholders

138. All registered shareholders of the Company receive the Company's Annual Report containing the Notice of AGM, within the statutory timeline before the AGM. The Notice of AGM is also announced via SGXNET and published in the press. At the AGM, shareholders are given the opportunity to participate effectively by providing feedback and raising questions. Shareholders may vote in person at the Company's AGM or at any extraordinary general meeting ("EGM") or by proxy if they are unable to attend. The Company's Constitution provides that shareholders may appoint one or two proxies to attend and speak at the Company's AGM and/or EGM and to vote in their stead. Relevant intermediaries as defined in Section 181 of the Companies Act (Chapter 50) may appoint more than two proxies to attend, speak and vote at the Company's AGM and/or EGM. This will enable indirect investors, including Central Provident Fund Board's investors to be appointed as proxies to participate at general meetings. To ensure authenticity of shareholder identity and other related security issues, the Company currently does not allow voting in absentia by mail, email or fax.

139. Since 2012, the Company has conducted electronic poll voting for all the resolutions passed at the AGM, for greater transparency in the voting process. Shareholders are informed of the rules, including voting procedures that govern the proceedings of general meetings of shareholders. Detailed results of the votes, showing the number of votes cast for and against each resolution and the respective percentages, are instantaneously displayed at the Company's AGM and subsequently announced via SGXNET on the same day.

140. For the Company's AGM, separate resolutions are set out on distinct issues, such as the proposed re-election of Directors, proposed Directors' fees and recommendation of final dividend. For the Company's EGM, the proposed corporate action or transaction, as applicable, and the rationale and other pertinent details for such proposal are set out in a separate circular to shareholders, with the proposed resolution set out for approval by shareholders at the EGM. The Company does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

141. At the Company's 2018 AGM, the Chairman and Directors, the chairpersons of all Board Committees, Group CEO, Management and the Company's professional advisers, where necessary, are present and available to address queries from shareholders. The external auditor is also present to address any shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report. An independent scrutineer is engaged to review the voting process and address shareholders' queries on the voting procedures.

142. The Company Secretary prepares minutes of general meetings that include responses from the Board and Management to the relevant comments or queries from shareholders. The minutes are made available on the Company's website.

Dividend Policy

143. The Company is committed to maintaining a sustainable dividend policy that will enhance long-term shareholder value. In determining the dividend pay-out, the Board will take into consideration the Company's financial position, business expansion plan, market condition and capital requirement. The past four years' dividend

pay-out and the current year's proposed dividend are respectively set out in the Financial Highlights on Page 28 of this Annual Report and Note 36 of the Notes to the Financial Statements.

Principle 12: Engagement with Shareholders

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

144. The Company recognises that regular, effective, timely and fair communication with shareholders is essential to enable its shareholders to make informed decisions about the Company. The Company announces quarterly and full year results within the time frame prescribed in the Listing Manual of the SGX-ST. The Company conducts calls with analysts on its quarterly results and briefings to the media on the half-year and full year results. All pertinent material and price-sensitive information are disclosed promptly via SGXNET and posted on the Company's website. No unpublished price-sensitive information is disclosed on a selective basis.

145. The Company's Annual Report containing the financial statements of the Company and the Group for the financial year also contains other pertinent information and disclosures including a review of the annual operations and activities, to enable shareholders and investors to have a better understanding of the Group's business and performance.

146. The corporate website address can be found in the annual report and SGX website. Shareholders and the public can access the website of the Company for the latest media releases, financial results, quarterly results presentation materials, annual reports and other corporate information on the Company. The Group's corporate structure and the Company's vision and mission statements can also be found in the Company's website. Investors can submit feedback and queries to the Company's Investor Relations Unit through the contact details provided on the Company's website. The Investor Relations personnel communicate with the Company's investors and respond to their queries on published information promptly. One of the key roles of the Group's Brand and Communications and Investor Relations Departments is to keep the market and investors apprised of the Group's major corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers.

MANAGING STAKEHOLDER RELATIONSHIPS

Principle 13: Engagement with Stakeholders

The Boards adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

147. The Company recognises the importance of maintaining positive stakeholder relationships, and adopts an inclusive approach in the management and engagement of its stakeholders – namely shareholders, customers, employees, regulators and other government agencies, community and financial representatives.The Sustainability Report on Pages 52 to 80 of this Annual Report sets out the Company's approach to stakeholder engagement including key areas of focus and how it responds to stakeholder concerns.

148. The Company maintains a corporate website – www.greateasternlife.com – to communicate and engage with its stakeholders.

Dealings In Securities

149. The Company has adopted internal codes and policies on dealings in Company's securities in line with the relevant rules set out in the Listing Manual of SGX-ST. As an enhancement of our policies and controls on insider trading, the Company has included the trading of securities of OCBC Bank during the black-out period. The Directors, executives of the Company and of the Group and employees are periodically reminded, not to deal in the securities of the Company and OCBC Bank for the period commencing one month before the Company's announcement of financial results for the year (to the date of the announcement of the relevant results of OCBC Bank); and for the period commencing two weeks before the announcement of the Company's quarterly results for each of the first three quarters of the financial year (to the date of the announcement of the relevant results of OCBC Bank). The Company will notify Directors, executives of the Company and of the Group and employees of each black-out period. Directors, executives of the Company and of the Group and employees are regularly reminded not to deal in securities of the Company, OCBC Bank and/ or other listed companies at all times if they are privy to unpublished material price-sensitive information and not to deal in the securities of the Company and OCBC Bank on short-term considerations. Employees in departments deemed to have access to price-sensitive information are instructed to conduct all personal securities transactions through OCBC Bank's stockbroking subsidiary for transaction monitoring purposes.

Related Party Transactions

150. The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving, monitoring and, where necessary, writing off such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflicts of interest are excluded from the approval process of granting and managing related party transactions. Material and/or special related party transactions and the write-off of material and/or special related party transactions are reported to the Audit Committee for review and to the Board for approval.

151. The Company also complies with the SGX-ST Listing Manual Rules on interested person transactions. All interested person transactions are conducted on reasonable commercial terms and carried out on an arm's length basis.

152. Details of the Company's related party transactions and interested person transactions during FY2018 are respectively set out in Note 31 of the Notes to the Financial Statements and Page 243 of this Annual Report.

Ethical Standards

153. The Directors and Management are committed to promoting and maintaining values which emphasise on integrity, honesty and proper conduct at all times in the business operations and dealings of the Group. The Company has adopted a Code of Conduct that sets out the guiding principles and minimum standards expected of its employees such as the highest standards of conduct and professional integrity. The Code of Conduct also provides guidance on areas such as responsible stewardship of the Company's resources, the Company's position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company's staff intranet. The Group Human Capital Department provides an annual attestation to the Audit Committee that the Code of Conduct has been properly disseminated to all staff.

154. The Company has a suite of policies in place for proper governance and management that staff have to comply with. All policies are prepared in accordance with the Company's risk management and internal control systems and processes, including Management self-assessment and independent audits.

155. The Company treats feedback and complaints from its customers seriously, and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

SUMMARY OF DISCLOSURES

Express disclosure requirements in the Code of Corporate Governance issued by the Monetary Authority of Singapore on 6 August 2018.

Provisions	Paragraph Number in Corporate Governance Report
Provision 1.2 The induction, training and development provided to new and existing directors.	52 to 55
Provision 1.3 Matters that require Board approval.	4
Provision 1.4 Names of the Board Committee members, the terms of reference, delegation of the Board's authority to make decisions, and a summary of each Board Committee's activities.	5, 8 to 43
Provision 1.5 The number of Board and Board Committee meetings and the directors' attendance at such meetings.	46

Provisions	Paragraph Number in Corporate Governance Report
Provision 2.1	
(a) The Board should identify in the Company's Annual Report each director it considers to be independent.	62
(b) Where the Board considers a director, who has served on the Board for more than nine years from the date of his/her first appointment, to be independent, the reasons for considering him/her as independent should be disclosed.	Not applicable
Provision 2.4 The board diversity policy and progress made towards implementing the board diversity policy, including objectives.	70
Provision 3.1 Relationship between the Chairman and the CEO if they are immediate family members.	Not applicable
Provision 4.3 Process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates.	78 to 80
Provision 4.4 If the Board determines that a director is independent notwithstanding the existence of a relationship with the Company, its related corporations, its substantial shareholders or its officers, which may affect his/her independence, the relationships and the Board's reasons for considering him/her as independent should be disclosed.	63 and 64
Provision 4.5	
(a) Listed company directorships and principal commitments of each director should be disclosed.	82
(b) If a director holds significant number of directorships and principal commitments, the Nominating Committee and Board should disclose reasoned assessment of the director's ability to diligently discharge his/her duties.	Not applicable
Provision 5.2 The Board should state in the Company's Annual Report how the assessments of the Board, its Board Committees and each director have been conducted, including the identity of any external facilitator and its connection (if any) with the Company or any of its directors.	83 to 85
Provision 6.4 The Company should disclose the engagement of any remuneration consultants and their independence in the Annual Report.	91
Provision 8.1 Disclose the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:	
(a) Each individual director and the CEO.	108
(b) At least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.	109
Provision 8.2 Names and remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000. The Company should also state clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.	110

CORPORATE GOVERNANCE REPORT

As at 5 March 2019

Provisions	Paragraph Number in Corporate Governance Report
Provision 8.3 Disclose all forms of remuneration and other payments and benefits, paid by the Company and its subsidiaries to directors and key management personnel of the Company. The Company should also disclose details of employee share schemes.	101, 105, 106 and 108
Provision 9.2 The Board should disclose that it has received assurance from: (a) the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances. (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the Company's risk management and internal control systems.	116 116
Provision 10.1 The Company should publicly disclose, and clearly communicate to employees, the existence of a whistle-blowing policy and procedures for raising concerns.	129
Provision 11.3 Directors' attendance at general meetings of shareholders held during the financial year.	141
Provision 12.1 The steps the Board has taken to solicit and understand the views of shareholders.	144 to 146
Provision 13.2 Disclose the Company's strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.	147 and 148

Express disclosure requirements in the supplementary guidelines prescribed by the MAS under MAS Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers Incorporated in Singapore issued on 3 April 2013.

Supplementary Guidelines	Paragraph Number in Corporate Governance Report
Guideline 1.16 An assessment of how the induction, orientation and training provided to new and existing directors meet the requirements as set out by the Nominating Committee to equip the Board and the respective Board Committees with relevant knowledge and skills in order to perform their roles effectively.	52 to 55
Guideline 2.13 Names of the members of the Executive Committee and the key terms of reference of the Executive Committee, explaining its role and the authority delegated to it by the Board.	9 to 11
Guideline 4.13 Resignation or dismissal of key appointment holders.	17
Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10.	82
Guideline 11.14 Names of the members of the Risk Management Committee and the key terms of reference of the Risk Management Committee, explaining its role and the authority delegated to it by the Board.	34 to 43
Guideline 17.4 Material related party transactions.	150 to 152

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The Directors are pleased to present this statement to the members together with the audited consolidated financial statements of Great Eastern Holdings Limited ("GEH" or the "Company") and its subsidiaries (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The Directors of the Company in office at the date of this statement are:

Mr Koh Beng Seng, Chairman
Mr Norman Ip
Mr Law Song Keng
Mr Lee Fook Sun
Mr Kyle Lee Khai Fatt
Mr Soon Tit Koon
Mrs Teoh Lian Ee
Mr Thean Nam Yew
Mr Samuel N. Tsien
Mr Wee Joo Yeow

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, save as disclosed in this statement.

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings, the Director who held office at the end of the financial year had an interest in shares in, or debentures of, the Company as at the end of the financial year and as at 21 January 2019, is as follows:

	Holdings registered in the name of Directors or in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 1.1.2018 or date of appointment	**As at 31.12.2018**	As at 1.1.2018 or date of appointment	**As at 31.12.2018**
Ordinary shares in the capital of the Company				
Mrs Teoh Lian Ee	–	**–**	5,000[1]	**5,000[1]**

The interests in shares in, or debentures of, the Company's holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") and its related corporations, of Directors who held office at the end of the financial year, were as follows:

	Holdings registered in the name of Directors or in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 1.1.2018 or date of appointment	**As at 31.12.2018**	As at 1.1.2018 or date of appointment	**As at 31.12.2018**
Ordinary shares in the capital of OCBC Bank				
Mr Norman Ip	4,201	**4,284**	–	**–**
Mr Law Song Keng	116,452	**116,452**	15,249[1]	**15,249[1]**
Mr Lee Fook Sun	174,307	**177,742**	–	**–**
Mr Kyle Lee Khai Fatt	122,229	**124,638**	–	**–**
Mr Soon Tit Koon	462	**472**	–	**–**
Mrs Teoh Lian Ee	24,711	**24,711**	299[1]	**299[1]**
Mr Samuel N. Tsien	1,037,861	**1,378,675**	716,745[2]	**615,311[3]**
Mr Wee Joo Yeow	52,652	**59,808**	4,794[1]	**4,794[1]**
OCBC Capital Corporation (2008) 5.1% non-cumulative non-convertible guaranteed preference shares				
Mrs Teoh Lian Ee	3,000	**–[4]**	–	**–**

Notes:

[1] Held by spouse.

[2] Comprises deemed interest in 709,143 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 7,602 ordinary shares granted under the OCBC Employee Share Purchase Plan.

[3] Comprises deemed interest in 608,866 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 6,445 ordinary shares granted under the OCBC Employee Share Purchase Plan.

[4] All of the Non-Cumulative Non-Convertible Guaranteed Preference Shares issued by OCBC Capital Corporation (2008) were fully redeemed and cancelled on 20 September 2018.

4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONTINUED)

Share options

According to the register of Directors' shareholdings, as at the beginning and as at the end of the financial year, the following Directors had interests in share options to subscribe for ordinary shares in the capital of OCBC Bank under the OCBC Share Option Scheme 2001, as follows:

	Options held by Directors		Options in which Directors are deemed to have an interest	
	As at 1.1.2018 or date of appointment	**As at 31.12.2018**	As at 1.1.2018 or date of appointment	**As at 31.12.2018**
Mr Samuel N. Tsien	4,624,417	**5,034,060**	–	**–**

Save as disclosed above, the Directors holding office at the end of the financial year did not have any interest in shares in, or debentures of, the Company or any related corporation either at the beginning of the financial year, date of appointment, or at the end of the financial year.

5. SHARE OPTIONS

The Company does not have any share option scheme in place.

6. AUDIT COMMITTEE

The Audit Committee ("AC") comprises four non-executive Directors. The AC members at the date of this statement are Mr Kyle Lee Khai Fatt (AC Chairman), Mr Law Song Keng, Mrs Teoh Lian Ee and Mr Thean Nam Yew. The AC convened eight meetings (including four *ad hoc* meetings) during the financial year under review.

The AC performs the functions specified under Section 201B(5) of the Companies Act, Chapter 50, including reviewing with the auditor its audit plan, its evaluation of the system of internal accounting controls and its audit report, reviewing the assistance given by the Company's officers to the auditor, reviewing the scope and results of the internal audit procedures, reviewing the financial statements of the Company and of the Group and the auditor's report thereon prior to their submission to the Company's Board of Directors. Details of the functions performed by the AC, including functions specified in the SGX-ST Listing Manual, Banking (Corporate Governance) Regulations 2005, Banking (Corporate Governance) (Amendment) Regulations 2010, MAS Guidelines on Corporate Governance and the Code of Corporate Governance 2012, are set out in the Report on Corporate Governance included in the Company's Annual Report for the financial year ended 31 December 2018.

The AC is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the auditor, Ernst & Young LLP, be nominated for re-appointment as auditor of the Company at the forthcoming annual general meeting of the Company. The AC notes that Ernst & Young LLP has served as the Company's external auditor since its incorporation in 1999. In line with good corporate governance practice, the AC has nominated PricewaterhouseCoopers LLP for appointment as the Company's external auditor in place of Ernst & Young LLP for financial year 2020. The nomination was made following a tender process based on an established framework for the selection of external auditor. Subject to the requisite approvals, notices, clearances and consents being obtained, the proposed appointment will be presented for shareholders' approval at the 2020 annual general meeting.

DIRECTORS' STATEMENT

7. AUDITOR

The auditor, Ernst & Young LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Koh Beng Seng	**Kyle Lee Khai Fatt**
Chairman	Director

Singapore
19 February 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Great Eastern Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2018, the Group's profit and loss statement, statement of comprehensive income and the statement of cash flows, and statements of changes in equity of the Group and the Company, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and changes in equity of the Company for the year ended on that date.

BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

KEY AUDIT MATTERS (CONTINUED)

Adoption of SFRS(I) and change in basis of preparation of the financial statements

The Group adopted SFRS(I) on 1 January 2018, with 1 January 2017 as the date of transition. In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1, First-time Adoption of Singapore Financial Reporting Standards (International). The Group's opening balance sheet under SFRS(I) has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

With the adoption of SFRS(I), the Group has changed its basis for the preparation of the financial statements from fund accounting basis to an enterprise wide as disclosed in Note 2.2.1 (a) to (d), Note 2.2.1A and Note 2.2.1B of the financial statements. Under the fund accounting basis, the Group presented separately the Shareholders' Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement. The three statements will be presented as a single Profit and Loss Statement under an enterprise wide basis. The presentation of the Balance Sheet of the Group has also changed to reflect the life and non-life insurance contract liabilities and elimination of interfund balances. With the adoption of an enterprise wide basis of preparation of the financial statements, the insurance fund profit will no longer be determined in accordance with the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate, but will be based on the requirements of SFRS(I).

Due to the material impact of the change in basis of preparation of the financial statements to the Group's financial statements on the date of transition, 1 January 2017, we determined this matter to be significant to our audit.

Our audit procedures included, amongst others:

- assessing the appropriateness and reasonableness of the transition adjustments relating to the adoption of SFRS(I) and change in basis of preparation of the financial statements, including determination of insurance fund profit based on the requirements of SFRS(I);
- reviewing management's equity reconciliation; and
- assessing the adequacy and reasonableness of the Group's disclosures relating to the above changes.

Based on the work performed, we considered management's assessment of the impact due to the adoption of SFRS(I) and change in basis of preparation of the financial statements to be appropriate.

The Group's disclosures related to the impact of the adoption of SFRS(I) and change in basis of preparation of the financial statements are included in Note 2.2.1 (a) to (d), Note 2.2.1A (Change in basis for preparation of financial statements from fund accounting basis to an enterprise wide basis) and Note 2.2.1B (Adoption of SFRS(I)). Our review of the disclosures noted that they were in accordance with the relevant SFRS(I) disclosure requirements.

Adoption of SFRS(I) 9 and valuation of financial investments

SFRS(I) 9 introduces, among others, new requirements for classification and measurement ("C&M") of financial assets and liabilities which is further elaborated in Note 2.2.1C of the financial statements. As required by SFRS(I) 9, the Group reassessed the classification of its financial assets by conducting the business model test and solely payment of principal and interest ("SPPI") test. Following these tests to comply with the requirements of SFRS(I) 9, the Group reassessed its classification of investments as either Fair Value through Other Comprehensive Income ("FVOCI") financial assets or financial assets at Fair Value Through Profit or Loss ("FVTPL"). The impact of reclassifications arising from the adoption of SFRS(I) 9 is included in Note 2.2.1C of the financial statements. Due to the material impact of the adoption of SFRS(I) 9 to the Group's financial assets on transition date, 1 January 2018, particularly on C&M and impairment assessment, we determined this matter to be significant to our audit.

KEY AUDIT MATTERS (CONTINUED)

Adoption of SFRS(I) 9 and valuation of financial investments (continued)

Our audit procedures focused on the adoption of SFRS(I) 9 include the following, amongst others:

C&M

- assessing the Group's SFRS(I) 9 C&M methodology and accounting policies including its tests relating to business model and solely payments of principal and interest, for consistency with SFRS(I) 9 requirements; and
- reviewing the impact of the changes in classification on the opening balance.

Impairment

- assessing the Group's expected credit loss ("ECL") methodology to evaluate whether this is consistent with SFRS(I) 9 requirements;
- evaluating the design of the ECL model based on the approved ECL methodology, including the model build, approval process, ongoing monitoring, validation, model governance as well as arithmetic accuracy; and
- reviewing the impact of adopting the ECL to the opening balance.

Disclosure

- assessing the adequacy and completeness of the Group's disclosures relating to the changes arising from the adoption of SFRS(I) 9.

Based on the work performed, we considered management's assessment of the impact due to the adoption of SFRS(I) 9 to be appropriate.

The Group's financial assets comprised mainly of debt and equity securities. These instruments are measured at fair value with the corresponding fair value changes recognized in either other comprehensive income or, profit or loss. The valuation is performed by the Group using inputs which have been classified in accordance with the fair value hierarchy stated in SFRS(I) 13, Fair Value Measurement. The fair value hierarchy is disclosed in Note 34.

The valuation of investments is inherently subjective and exercise of significant judgement in determining fair value is required, particularly for the Level 2 and Level 3 investments since these are valued based on inputs other than observable quoted prices. As such, we determined this to be significant to our audit. As at 31 December 2018, the Level 2 and Level 3 investments amounted to $20.6 billion and $1.5 billion respectively.

Our audit procedures, focused on the valuation of these financial investments, included the following, amongst others:

- assessing the processes and controls relating to valuation of these financial investments, including the methods and assumptions used to value the underlying investments, and their valuation review process;
- performing independent valuations using external quotes where available, or with reference to alternative valuation methods used by other market participants on a sample of investments; and
- ascertain that investments are properly classified, valued, and disclosed in the Group's financial statements in accordance with SFRS(I) 9, SFRS(I) 7 and SFRS(I) 13;

Overall, the results of our independent valuation are consistent with those of management's valuation.

KEY AUDIT MATTERS (CONTINUED)

Adoption of SFRS(I) 9 and valuation of financial investments (continued)

We also assessed whether the related disclosures comply with the relevant SFRS(I) disclosure requirements, including valuation sensitivity analysis and fair value hierarchy. The Group's disclosures related to financial investments are included in Note 2.17 and 2.18 (Financial assets), Note 2.21 (Determination of fair value of financial instruments) and Note 34 (Fair value of assets and liabilities). Accordingly, our review of the disclosures noted that they were in compliance with the relevant disclosure requirements.

Valuation of life insurance contract liabilities

As at 31 December 2018, the Group has $65.6 billion of life insurance contract liabilities, which represents 84.6% of the Group's total liabilities. The valuation of life insurance contract liabilities involves significant judgement over uncertain future outcomes, including primarily the timing and occurrence of ultimate full settlement of life insurance contract liabilities. The Group uses valuation models and assumptions to support the calculations of the life insurance contract liabilities. The complexity of the models may give rise to inaccurate calculations as a result of inappropriate and incomplete data, or assumptions used or inappropriate design or application of the models. Economic assumptions such as investment return and interest rates, and non-economic assumptions such as mortality, morbidity, expenses, policyholders' behavior and claims experience are some of the key inputs used to estimate these life insurance contract liabilities. Changes in assumptions used may result in material impact to the valuation of these life insurance contract liabilities. In addition to analyzing historical experiences, significant management judgement is also involved in setting these assumptions.

We used internal actuarial specialists to assist us in performing the following procedures. Our audit procedures included, amongst others:

- assessing the processes and tested specialist controls relating to the actuarial valuation process, including management's determination and approval process for setting of economic and non-economic actuarial assumptions;
- assessing the appropriateness of the actuarial valuation methodologies and assumptions used by management against regulatory requirements and industry practices, where applicable;
- comparing assumptions used by management against the Group's experiences and market observable data, where applicable;
- assessing whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from the Group's or market experience;
- reviewing reasonableness of the actuarial reserves being set up by performing an analytical review on the results; and
- reviewing a selection of the Group's independent testing of actuarial models used for reserve calculations.

Based on the work performed, we considered the valuation methodologies and the assumptions used to be appropriate.

We also considered whether the disclosures in relation to life insurance contract liabilities comply with the relevant SFRS(I) disclosure requirements. The Group's disclosures related to life insurance liabilities are included in Note 2.9.4 (Life insurance contract liabilities), Note 2.30.1(a) (Critical accounting estimates and assumptions on liabilities of insurance business), Note 15.1 (Life insurance contracts) and Note 33 (Insurance risk). Accordingly, our review of the disclosures noted that they were in accordance with the relevant disclosure requirements.

KEY AUDIT MATTERS (CONTINUED)

Valuation of non-life insurance contract liabilities

As at 31 December 2018, the Group has $212.0 million of non-life insurance contract liabilities, which represent 0.3% of the Group's total liabilities. Non-life insurance contract liabilities, which include the Group's claims liabilities and premium liabilities, are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date, and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. The estimation of non-life insurance contract liabilities is sensitive to various factors and uncertainties. Significant management judgement is applied in setting these assumptions.

We used internal actuarial specialists to assist us in performing the following procedures. Our audit procedures included, amongst others:

- comparing the actuarial valuation methodologies and assumptions used by the management with industry data, and against recognized actuarial practices;
- reviewing the assumptions used by the Certifying Actuary and rationale for conclusions made thereon;
- assessing consistency of valuation methodologies applied against prior years;
- assessing whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience; and
- performing independent analysis and re-computation of the non-life insurance contract liabilities of selected classes of business. We focused on the largest and most uncertain reserves. We compared our independent analysis to those performed by the management and enquired with management significant differences noted, if any.

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

We considered whether the disclosures in relation to non-life insurance contract liabilities comply with the relevant disclosure requirements. The Group's disclosures related to non-life insurance liabilities are included in 2.9.5 (Non-life insurance contract liabilities), Note 2.30.1(a) (Critical accounting estimates and assumptions on liabilities of insurance business), Note 15.2 (Non-life insurance contracts) and Note 33 (Insurance Risk). Accordingly, our review of the disclosures noted that they were in compliance with the relevant requirements.

Valuation of provision for tax and deferred taxation

As at 31 December 2018, the Group has recognized provision for tax and deferred tax liabilities of $507.7 million and $1,132.1 million respectively. The taxation rules and regulations governing the insurance industry are complex and evolving. There are many transactions and calculations for which the ultimate tax determination is uncertain as it involved significant management judgment in determining the deductibility of certain expenses during the estimation of provision for income taxes. The final tax outcome for open years of assessment may therefore be different from the amounts that were initially recorded and result in either tax refunds or further taxes to be imposed. As such, the valuation of the income tax is significant to our audit.

KEY AUDIT MATTERS (CONTINUED)

Valuation of provision for tax and deferred taxation (continued)

Our audit procedures included, amongst others:

- involving our internal tax experts in assessing the veracity of the bases used to determine the tax positions. We corroborated these bases with supporting evidence, historical accuracy of management's assumptions used and estimation process. We also assessed the historical accuracy of management's assumptions and estimation process;
- reviewing correspondences with the tax authorities to identify potential tax exposures; and
- assessing the adequacy of the Group's disclosures on provision for tax and deferred tax

Overall, the results of our evaluation of the Group's provision for tax and deferred tax are consistent with management's provision for tax and deferred tax.

The Group's disclosures related to provision for tax, and deferred taxation are included in Note 2.11 (Taxes), Note 8 (Income tax). Our review of the disclosures noted that they were in accordance with the relevant SFRS(I) disclosure requirements.

OTHER INFORMATION

Management is responsible for the other information. The other information consists of information included in the annual report other than financial statements and our auditor's report thereon. We obtained all the other information prior to the date of our auditor's report except for the Key Figures, Letter to Shareholders, Financial Highlights, Embedded Value, Business Review – Singapore, Business Review – Malaysia, Business Review – Emerging Markets, Corporate Governance Report, Additional Information, Shareholding Statistics and Sustainability report, collectively, "Other Reports", which are expected to be made available to us after the date of our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Shekaran K Krishnan.

Ernst & Young LLP.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
19 February 2019

CONSOLIDATED PROFIT AND LOSS STATEMENT

for the financial year ended 31 December

in Singapore Dollars (millions)	**Note**	**2018**	2017
Income			
Gross premiums		**12,239.2**	12,558.7
less: Premiums ceded to reinsurers		**379.1**	280.2
less: Increase in unexpired risk reserve	15	**11.4**	8.1
Net premiums		**11,848.7**	12,270.4
Commissions received from reinsurers		**71.6**	55.5
Investment income, net	4	**2,624.3**	2,225.0
Rental income, net		**53.6**	55.4
Fees and other income		**77.5**	77.1
(Loss)/gain on sale of investments and changes in fair value	5	**(2,630.8)**	3,187.1
Change in third-party interests in consolidated investment funds		**10.9**	(22.6)
Loss on disposal of interest in associate		**–**	(9.9)
Loss on disposal of subsidiary	24	**–**	(1.2)
Gain/(loss) on exchange differences		**39.2**	(652.5)
Total income		**12,095.0**	17,184.3
less: **Expenses**			
Gross claims, surrenders and annuities		**6,570.2**	5,617.0
Claims, surrenders and annuities recovered from reinsurers		**(218.0)**	(200.1)
Commissions and agency expenses		**1,012.0**	937.7
(Decrease)/increase in provision for impairment of assets	7	**(40.4)**	251.9
Management and other expenses		**531.5**	563.5
Interest expense		**18.3**	18.3
Agents' retirement benefits	6	**27.8**	37.9
Depreciation	28	**56.7**	70.7
Change in insurance contract liabilities	15	**3,188.2**	8,210.1
Tax attributable to policyholders' returns	8	**40.1**	410.6
Total expenses		**11,186.4**	15,917.6
Profit before share of loss of associates		**908.6**	1,266.7
Share of loss after income tax of associates		**(0.5)**	(0.5)
Profit before income tax	7	**908.1**	1,266.2
Income tax	8	**(158.1)**	(218.6)
Profit after income tax		**750.0**	1,047.6
Attributable to:			
Shareholders		**740.7**	1,036.7
Non-controlling interests		**9.3**	10.9
		750.0	1,047.6
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	9	**$1.56**	$2.19

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	2018	2017
Profit after income tax for the year		**750.0**	1,047.6
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation of overseas entities attributable to non-controlling interests		**0.2**	0.1
Revaluation losses on equity instruments at fair value through other comprehensive income		**(372.4)**	–
Income tax related to the above	8	**66.5**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of overseas entities		**(5.5)**	2.9
Share of other comprehensive income of associates		**–**	(0.1)
Debt instruments at fair value through other comprehensive income:			
Changes in fair value		**(231.5)**	–
Changes in allowance for expected credit losses		**(4.7)**	–
Reclassification of realised loss on disposal of investments to Profit and Loss Statement	5	**5.5**	–
Income tax related to the above	8	**39.4**	–
Available-for-sale financial assets:			
Changes in fair value		**–**	715.8
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	**–**	(529.8)
Tax on changes in fair value	8	**–**	(31.8)
Other comprehensive income for the year, after tax		**(502.5)**	157.1
Total comprehensive income for the year		**247.5**	1,204.7
Total comprehensive income attributable to:			
Shareholders		**240.6**	1,189.2
Non-controlling interests		**6.9**	15.5
		247.5	1,204.7

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEET – GROUP & COMPANY

as at 31 December

in Singapore Dollars (millions)	Note	Group 31 Dec 2018	Group 31 Dec 2017	Group 1 Jan 2017	Company 31 Dec 2018	Company 31 Dec 2017	Company 1 Jan 2017
Share capital	10	**152.7**	152.7	152.7	**152.7**	152.7	152.7
Reserves							
Merger reserve	11	**–**	–	–	**419.2**	419.2	419.2
Currency translation reserve	11	**7.4**	12.9	–	**–**	–	–
Fair value reserve	11	**(214.2)**	365.9	216.2	**–**	–	–
Other reserve	11	**0.2**	0.2	–	**–**	–	–
Retained earnings		**7,490.8**	6,997.0	6,197.0	**3,014.6**	2,816.2	2,662.5
SHAREHOLDERS' EQUITY		**7,436.9**	7,528.7	6,565.9	**3,586.5**	3,388.1	3,234.4
NON-CONTROLLING INTERESTS		**84.6**	86.1	75.3	**–**	–	–
TOTAL EQUITY		**7,521.5**	7,614.8	6,641.2	**3,586.5**	3,388.1	3,234.4
LIABILITIES							
Insurance payables	12	**4,619.2**	4,124.1	3,670.8	**–**	–	–
Other creditors	13	**1,647.1**	2,125.6	1,267.5	**7.7**	8.2	7.8
Derivative financial liabilities	20	**294.7**	379.9	737.5	**–**	–	–
Income tax payable		**507.7**	539.9	451.6	**–**	0.1	0.1
Provision for agents' retirement benefits	6	**276.1**	276.0	263.3	**–**	–	–
Deferred tax	8	**1,132.1**	1,375.0	1,058.3	**–**	–	–
Debt issued	14	**399.8**	399.7	399.6	**–**	–	–
Insurance contract liabilities	15	**68,643.8**	65,512.3	55,247.0	**–**	–	–
TOTAL EQUITY AND LIABILITIES		**85,042.0**	82,347.3	69,736.8	**3,594.2**	3,396.4	3,242.3
ASSETS							
Cash and cash equivalents		**5,705.1**	5,364.8	3,526.6	**42.6**	20.6	20.8
Other debtors	16	**1,073.5**	1,586.4	1,304.7	**0.1**	0.1	0.1
Insurance receivables	17	**2,794.1**	2,701.1	2,604.5	**–**	–	–
Amount due from subsidiaries	18	**–**	–	–	**2,657.5**	2,681.5	2,534.9
Loans	19	**1,329.6**	1,359.1	1,609.0	**–**	–	–
Derivative financial assets	20	**226.9**	238.9	84.9	**–**	–	–
Investments	21	**71,521.3**	68,918.9	58,383.3	**–**	–	–
Assets held for sale	22	**–**	3.9	–	**–**	–	–
Associates	23	**1.7**	2.2	47.4	**–**	–	–
Subsidiaries	24	**–**	–	–	**893.9**	693.9	686.1
Intangible assets	26	**27.4**	27.6	32.0	**–**	–	–
Investment properties	27	**1,771.3**	1,553.0	1,539.0	**–**	–	–
Property, plant and equipment	28	**591.1**	591.4	605.4	**0.1**	0.3	0.4
TOTAL ASSETS		**85,042.0**	82,347.3	69,736.8	**3,594.2**	3,396.4	3,242.3

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY – GROUP

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Share Capital	Currency Translation Reserve	Fair Value Reserve	Other Reserve	Retained Earnings [1]	Total	Non-Controlling Interests	Total Equity
		Attributable to shareholders of the Company							
Balance at 31 December 2017 as previously reported		152.7	(137.0)	98.3	0.2	7,430.3	7,544.5	86.1	7,630.6
Effect of SFRS(I)	2.2.1	–	149.9	267.6	–	(433.3)	(15.8)	–	(15.8)
Balance at 31 December 2017 restated under SFRS(I)		152.7	12.9	365.9	0.2	6,997.0	7,528.7	86.1	7,614.8
Adoption of SFRS(I) 9	2.2.1	–	–	(135.5)	–	134.4	(1.1)	–	(1.1)
Balance at 1 January 2018, restated		152.7	12.9	230.4	0.2	7,131.4	7,527.6	86.1	7,613.7
Profit for the year		–	–	–	–	740.7	740.7	9.3	750.0
<u>Other comprehensive income</u>									
Exchange differences arising on translation of overseas entities		–	(5.5)	–	–	–	(5.5)	0.2	(5.3)
Net revaluation losses on equity instruments at fair value through other comprehensive income		–	–	(305.9)	–	–	(305.9)	–	(305.9)
Debt instruments at FVOCI:									
Changes in fair value		–	–	(228.8)	–	–	(228.8)	(2.7)	(231.5)
Changes in allowance for expected credit losses		–	–	(4.7)	–	–	(4.7)	–	(4.7)
Reclassification of realised loss on disposal of investments to Profit and Loss Statement	5	–	–	5.5	–	–	5.5	–	5.5
Income tax related to the above		–	–	39.3	–	–	39.3	0.1	39.4
Other comprehensive income for the year, after tax		–	(5.5)	(494.6)	–	–	(500.1)	(2.4)	(502.5)
Total comprehensive income for the year		–	(5.5)	(494.6)	–	740.7	240.6	6.9	247.5
Reclassification of net change in fair value of equity instruments upon derecognition	21	–	–	50.0	–	(50.0)	–	–	–
<u>Distributions to shareholders</u>									
Dividends paid during the year:									
Final and special one-tier tax exempt dividends for the previous year	36	–	–	–	–	(284.0)	(284.0)	–	(284.0)
Interim one-tier tax exempt dividend	36	–	–	–	–	(47.3)	(47.3)	–	(47.3)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(8.4)	(8.4)
Total distributions to shareholders		–	–	–	–	(331.3)	(331.3)	(8.4)	(339.7)
Total transactions with shareholders in their capacity as shareholders		–	–	–	–	(331.3)	(331.3)	(8.4)	(339.7)
Balance at 31 December 2018		152.7	7.4	(214.2)	0.2	7,490.8	7,436.9	84.6	7,521.5

[1] Included in Retained Earnings are non-distributable reserves of $2,212.9 million (31 December 2017: $2,198.6 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 11 and 33 for more details.

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY – GROUP

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Share Capital	Currency Translation Reserve	Fair Value Reserve	Other Reserve	Retained Earnings [1]	Total	Non-Controlling Interests	Total Equity
		Attributable to shareholders of the Company							
Balance at 31 December 2016 as previously reported		152.7	(139.8)	65.5	–	6,510.5	6,588.9	75.3	6,664.2
Effect of SFRS(I)	2.2.1	–	139.8	150.7	–	(313.5)	(23.0)	–	(23.0)
Balance at 1 January 2017 restated under SFRS(I)		152.7	–	216.2	–	6,197.0	6,565.9	75.3	6,641.2
Profit for the year		–	–	–	–	1,036.7	1,036.7	10.9	1,047.6
Other comprehensive income									
Exchange differences arising on translation of overseas entities		–	2.9	–	–	–	2.9	0.1	3.0
Share of other comprehensive income of associates		–	(0.1)	–	–	–	(0.1)	–	(0.1)
Available-for-sale financial assets:									
Changes in fair value		–	–	711.1	–	–	711.1	4.7	715.8
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	–	–	(529.8)	–	–	(529.8)	–	(529.8)
Tax on changes in fair value	8	–	–	(31.6)	–	–	(31.6)	(0.2)	(31.8)
Other comprehensive income for the year, after tax		–	2.8	149.7	–	–	152.5	4.6	157.1
Total comprehensive income for the year		–	2.8	149.7	–	1,036.7	1,189.2	15.5	1,204.7
Distributions to shareholders									
Dividends paid during the year:									
Final one-tier tax exempt dividends for the previous year	36	–	–	–	–	(189.3)	(189.3)	–	(189.3)
Interim one-tier tax exempt dividend	36	–	–	–	–	(47.4)	(47.4)	–	(47.4)
Dividends paid to non-controlling interests		–	–	–	–	–	–	(7.5)	(7.5)
Total distributions to shareholders		–	–	–	–	(236.7)	(236.7)	(7.5)	(244.2)
Changes in ownership interests in subsidiaries									
Disposal of subsidiary		–	10.1	–	–	–	10.1	(0.6)	9.5
Changes in non-controlling interests without a change in control		–	–	–	0.2	–	0.2	3.4	3.6
Total changes in ownership interests in subsidiaries		–	10.1	–	0.2	–	10.3	2.8	13.1
Total transactions with shareholders in their capacity as shareholders		–	10.1	–	0.2	(236.7)	(226.4)	(4.7)	(231.1)
Balance at 31 December 2017, restated		152.7	12.9	365.9	0.2	6,997.0	7,528.7	86.1	7,614.8

[1] Included in Retained Earnings are non-distributable reserves of $2,212.9 million (31 December 2017: $2,198.6 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 11 and 33 for more details.

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY – COMPANY

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Share Capital	Merger Reserve	Retained Earnings	Total Equity
Balance at 1 January 2018		**152.7**	**419.2**	**2,816.2**	**3,388.1**
Profit for the year		**–**	**–**	**529.7**	**529.7**
Total comprehensive income for the year		**–**	**–**	**529.7**	**529.7**
<u>Distributions to shareholders</u>					
Dividends paid during the year:					
Final and special one-tier tax exempt dividends for the previous year	**36**	**–**	**–**	**(284.0)**	**(284.0)**
Interim one-tier tax exempt dividend	**36**	**–**	**–**	**(47.3)**	**(47.3)**
Total distributions to shareholders		**–**	**–**	**(331.3)**	**(331.3)**
Total transactions with shareholders in their capacity as shareholders		**–**	**–**	**(331.3)**	**(331.3)**
Balance at 31 December 2018		**152.7**	**419.2**	**3,014.6**	**3,586.5**
Balance at 1 January 2017		152.7	419.2	2,662.5	3,234.4
Profit for the year		–	–	390.4	390.4
Total comprehensive income for the year		–	–	390.4	390.4
<u>Distributions to shareholders</u>					
Dividends paid during the year:					
Final one-tier tax exempt dividend for the previous year	36	–	–	(189.3)	(189.3)
Interim one-tier tax exempt dividend	36	–	–	(47.4)	(47.4)
Total distributions to shareholders		–	–	(236.7)	(236.7)
Total transactions with shareholders in their capacity as shareholders		–	–	(236.7)	(236.7)
Balance at 31 December 2017		152.7	419.2	2,816.2	3,388.1

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**908.1**	1,266.2
Adjustments for non-cash items:			
Tax attributable to policyholders' returns	8	**40.1**	410.6
Share of loss of associates		**0.5**	0.5
Loss/(gain) on sale of investments and changes in fair value	5	**2,630.8**	(3,187.1)
Loss on disposal of subsidiary	24	**–**	1.2
Loss on disposal of interest in associate		**–**	9.9
(Decrease)/increase in provision for impairment of assets	7	**(40.4)**	251.9
Increase in provision for agents' retirement benefits	6	**27.8**	37.9
Gain on disposal of property, plant and equipment	7	**(1.1)**	–
Depreciation	28	**56.7**	70.7
Unrealised (gain)/loss on exchange differences		**(39.2)**	1,166.3
Change in insurance contract liabilities	15	**3,188.2**	8,210.1
Change in unexpired risk reserve	15	**11.4**	8.1
Amortisation of capitalised transaction fees		**0.1**	0.1
Dividend income	4	**(701.0)**	(563.3)
Interest income	4	**(2,045.2)**	(1,802.9)
Interest expense		**18.3**	18.3
Interest expense on policy benefits	7	**173.4**	152.1
Share-based payments	7	**6.3**	4.7
		4,234.8	6,055.3
Changes in working capital:			
Insurance receivables		**(86.7)**	(86.7)
Other debtors		**545.8**	(219.9)
Insurance payables		**495.1**	453.3
Other creditors		**(484.9)**	867.0
Cash generated from operations		**4,704.1**	7,069.0
Income tax paid		**(367.2)**	(313.8)
Interest paid on policy benefits		**(173.4)**	(152.1)
Agents' retirement benefits paid	6	**(26.7)**	(32.9)
Net cash flows from operating activities		**4,136.8**	6,570.2

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and sale of investments		**26,377.5**	43,431.1
Purchase of investments		**(32,233.6)**	(50,688.1)
Proceeds from disposal of interests in associate		**–**	32.1
Net cash inflow from disposal of subsidiaries	24	**–**	14.9
Proceeds from sale of property, plant and equipment		**6.3**	1.3
Purchase of property, plant and equipment and investment properties	27, 28	**(236.9)**	(58.9)
Interest income received		**2,002.7**	1,763.7
Interest expense paid		**(18.2)**	(18.1)
Dividends received		**720.7**	553.5
Net cash flows used in investing activities		**(3,381.5)**	(4,968.5)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	36	**(331.3)**	(236.7)
Dividends paid to non-controlling interests		**(8.4)**	(7.5)
Changes in non-controlling interests		**–**	3.4
Net cash flows used in financing activities		**(339.7)**	(240.8)
Net effect of currency translation reserve adjustment		**(75.3)**	477.3
Net increase in cash and cash equivalents		**340.3**	1,838.2
Cash and cash equivalents at the beginning of the year		**5,364.8**	3,526.6
Cash and cash equivalents at the end of the year		**5,705.1**	5,364.8
Cash and cash equivalents comprise:			
Cash and bank balances		**1,424.3**	1,168.1
Cash on deposit		**3,677.7**	3,986.2
Short term instruments		**603.1**	210.5
		5,705.1	5,364.8

Included in the cash and cash equivalents are bank deposits amounting to $1.8 million (31 December 2017: $1.8 million) which are lodged with the regulator as statutory deposits, which are not available for use by the Group.

The changes in liabilities arising from financing activities for the years ended 31 December 2018 and 2017 were not material.

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL

Great Eastern Holdings Limited (the "Company" or "GEH") is a limited liability company which is incorporated and domiciled in the Republic of Singapore. The notes refer to the Company and the Group unless otherwise stated. The registered office and principal place of business of the Company is located at 1 Pickering Street, #16-01, Great Eastern Centre, Singapore 048659.

The principal activity of the Company is that of an investment holding company. The principal activities of the significant subsidiaries within the Group are stated in Note 3. There have been no significant changes in the nature of these activities during the financial year.

The Company's immediate and ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), which prepares financial statements for public use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)") and SFRS(I) Interpretations as issued by the Accounting Standards Council. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest $0.1 million except as otherwise stated.

2.2 Changes in Accounting Policies

2.2.1 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group and the Company adopted SFRS(I) on 1 January 2018, with 1 January 2017 as the date of transition. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. Under SFRS(I) 1, these financial statements are prepared using accounting policies in compliance with SFRS(I) effective as at 31 December 2018, subject to the mandatory exemptions and optional exemptions under the Standard.

The Group's opening balance sheet under SFRS(I) has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

The Group has also changed its basis for the preparation of the financial statements from fund accounting basis to an enterprise wide basis for comparability to industry practices. Under the fund accounting basis, the Group presented the Shareholders' Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement separately. The three Statements will be presented as a single Profit and Loss Statement under an enterprise wide basis. With the adoption of an enterprise wide basis, the insurance fund profit will no longer be determined in accordance with the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operates, but will align with SFRS(I) instead.

<u>Optional exemption applied</u>

The Group has elected for the optional exemption to reset its cumulative translation differences for foreign operations to nil at the date of transition at 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

Reconciliation of the Group's total comprehensive income and equity reported in accordance with SFRS to SFRS(I)

The three Statements combined as a single Consolidated Profit and Loss Statement under enterprise wide basis are as follows:

(a) Consolidated Profit and Loss Statement under enterprise wide basis for the financial year ended 31 December 2017

in Singapore Dollars (millions)	As previously reported: Profit and Loss Statement	As previously reported: General Insurance Revenue Statement	As previously reported: Life Assurance Revenue Statement	Total	Effect of adoption of SFRS(I) 1^	Note	Restated under enterprise wide basis
Income							
Life assurance profit from:							
Participating Fund	170.5	–	–	170.5	(170.5)		–
Non-participating Fund	521.7	–	–	521.7	(521.7)		–
Investment-linked Fund	184.0	–	–	184.0	(184.0)		–
Profit from life assurance	876.2	–	–	876.2	(876.2)		–
Profit from general insurance	23.7	–	–	23.7	(23.7)		–
Profit from insurance business	899.9	–	–	899.9	(899.9)	A1	–
Gross Premiums	–	256.2	12,303.3	12,559.5	(0.8)	A2	12,558.7
less: Premiums ceded to reinsurers	–	94.2	186.0	280.2	–		280.2
less: Increase in unexpired risk reserve	–	8.1	–	8.1	–		8.1
Net premiums	–	153.9	12,117.3	12,271.2	(0.8)		12,270.4
Commissions received from reinsurers	–	23.6	31.9	55.5	–		55.5
Investment income, net	153.6	13.7	2,054.3	2,221.6	3.4	A2	2,225.0
Rental income, net	–	–	56.4	56.4	(1.0)	A2	55.4
Fees and other income	88.5	–	–	88.5	(11.4)	A2	77.1
Gain on sale of investments and changes in fair value	329.6	6.0	2,851.5	3,187.1	–		3,187.1
Change in third-party interests in consolidated investment funds	(22.3)	–	–	(22.3)	7.9	A2	(14.4)
Loss on disposal of interest in associate	(1.3)	–	(8.1)	(9.4)	–		(9.4)
Gain on disposal of subsidiaries	1.0	–	–	1.0	–		1.0
Loss on exchange differences	(10.1)	(2.4)	(634.0)	(646.5)	(6.3)	A2	(652.8)
Total income	1,438.9	194.8	16,469.3	18,103.0	(908.1)		17,194.9

^ The explanatory note on the effects of applying SFRS(I) 1 is detailed in part A of Note 2.2.1.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

(a) Consolidated Profit and Loss Statement under enterprise wide basis for the financial year ended 31 December 2017 (continued)

in Singapore Dollars (millions)	As previously reported: Profit and Loss Statement	As previously reported: General Insurance Revenue Statement	As previously reported: Life Assurance Revenue Statement	Total	Effect of adoption of SFRS(I) 1^	Note	Restated under enterprise wide basis
less: **Expenses**							
Gross claims, surrenders and annuities	–	136.9	5,468.4	5,605.3	11.7	A1	5,617.0
Claims, surrenders and annuities recovered from reinsurers	–	(65.5)	(129.1)	(194.6)	(5.5)	A1	(200.1)
Commissions and agency expenses	–	44.7	893.0	937.7	–		937.7
Increase in provision for impairment of assets	15.8	0.9	235.2	251.9	–		251.9
Management and other expenses	96.8	46.5	428.7	572.0	(8.2)	A2	563.8
Interest expense	18.3	–	–	18.3	–		18.3
Agents' retirement benefits	–	–	37.9	37.9	–		37.9
Depreciation	2.1	2.4	66.2	70.7	–		70.7
Change in insurance contract liabilities	–	–	8,880.9	8,880.9	(670.8)	A1	8,210.1
Tax attributable to policyholders' returns	–	–	–	–	410.6	A1	410.6
Total expenses	133.0	165.9	15,881.2	16,180.1	(262.2)		15,917.9
Profit after expenses	1,305.9	28.9	588.1	1,922.9	(645.9)		1,277.0
Share of loss after income tax of associates	–	–	(0.5)	(0.5)	–		(0.5)
Profit before income tax	1,305.9	28.9	587.6	1,922.4	(645.9)		1,276.5
Income tax	(138.5)	(6.1)	(484.6)	(629.2)	410.6	A1	(218.6)
Profit after income tax	1,167.4	22.8	103.0	1,293.2	(235.3)		1,057.9

^ The explanatory note on the effects of applying SFRS(I) 1 is detailed in part A of Note 2.2.1.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

(a) Consolidated Profit and Loss Statement under enterprise wide basis for the financial year ended 31 December 2017 (continued)

in Singapore Dollars (millions)	As previously reported: Profit and Loss Statement	As previously reported: General Insurance Revenue Statement	As previously reported: Life Assurance Revenue Statement	Total	Effect of adoption of SFRS(I) 1^	Note	Restated under enterprise wide basis
Other comprehensive income:							
Items that will not be reclassified to profit or loss:							
Exchange differences arising on translation of overseas entities attributable to non-controlling interests	0.1			0.1	–		0.1
Items that may be reclassified subsequently to profit or loss:							
Exchange differences arising on translation of overseas entities	5.2			5.2	–		5.2
Share of other comprehensive income of associates	(0.5)			(0.5)	–		(0.5)
Available-for-sale financial assets:							
Changes in fair value	342.9			342.9	372.9	A1	715.8
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	(298.2)			(298.2)	(231.6)	A1	(529.8)
Tax on changes in fair value	(7.4)			(7.4)	(24.4)	A1	(31.8)
Other comprehensive income for the year, after tax	42.1			42.1	116.9		159.0
Total comprehensive income for the year	1,209.5			1,335.3	(118.4)		1,216.9
Total comprehensive income attributable to:							
Shareholders	1,194.0			1,319.8	(118.4)		1,201.4
Non-controlling interests	15.5			15.5	–		15.5
	1,209.5			1,335.3	(118.4)		1,216.9

^ The explanatory note on the effects of applying SFRS(I) 1 is detailed in part A of Note 2.2.1.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

(b) Consolidated Profit and Loss Statement restated under SFRS(I) for the financial year ended 31 December 2017

in Singapore Dollars (millions)	Restated under enterprise wide basis	Effect of transition to SFRS(I)^	Note	31 Dec 2017 restated under SFRS(I)
Income				
Gross premiums	12,558.7	–		12,558.7
less: Premiums ceded to reinsurers	280.2	–		280.2
less: Increase in unexpired risk reserve	8.1	–		8.1
Net premiums	12,270.4	–		12,270.4
Commissions received from reinsurers	55.5	–		55.5
Investment income, net	2,225.0	–		2,225.0
Rental income, net	55.4	–		55.4
Fees and other income	77.1	–		77.1
Gain on sale of investments and changes in fair value	3,187.1	–		3,187.1
Change in third-party interests in consolidated investment funds	(14.4)	(8.2)	B1	(22.6)
Loss on disposal of interest in associate	(9.4)	(0.5)	B1	(9.9)
Gain/(loss) on disposal of subsidiaries	1.0	(2.2)	B1	(1.2)
Loss on exchange differences	(652.8)	0.3	B1	(652.5)
Total income	17,194.9	(10.6)		17,184.3
less: **Expenses**				
Gross claims, surrenders and annuities	5,617.0	–		5,617.0
Claims, surrenders and annuities recovered from reinsurers	(200.1)	–		(200.1)
Commissions and agency expenses	937.7	–		937.7
Increase in provision for impairment of assets	251.9	–		251.9
Management and other expenses	563.8	(0.3)	B1	563.5
Interest expense	18.3	–		18.3
Agents' retirement benefits	37.9	–		37.9
Depreciation	70.7	–		70.7
Change in insurance contract liabilities	8,210.1	–		8,210.1
Tax attributable to policyholders' returns	410.6	–		410.6
Total expenses	15,917.9	(0.3)		15,917.6
Profit before share of loss of associates	1,277.0	(10.3)		1,266.7
Share of loss after income tax of associates	(0.5)	–		(0.5)
Profit before income tax	1,276.5	(10.3)		1,266.2
Income tax	(218.6)	–		(218.6)
Profit after income tax	1,057.9	(10.3)		1,047.6

^ The explanatory note on the effects of applying SFRS(I) 1 is detailed in part B of Note 2.2.1.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

(b) Consolidated Profit and Loss Statement restated under SFRS(I) for the financial year ended 31 December 2017 (continued)

in Singapore Dollars (millions)	Restated under enterprise wide basis	Effect of transition to SFRS(I)^	Note	31 Dec 2017 restated under SFRS(I)
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Exchange differences arising on translation of overseas entities attributable to non-controlling interests	0.1	–		0.1
Items that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of overseas entities	5.2	(2.3)	B1	2.9
Share of other comprehensive income of associates	(0.5)	0.4	B1	(0.1)
Available-for-sale financial assets:				
Changes in fair value	715.8	–		715.8
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	(529.8)	–		(529.8)
Tax on changes in fair value	(31.8)	–		(31.8)
Other comprehensive income for the year, after tax	159.0	(1.9)		157.1
Total comprehensive income for the year	1,216.9	(12.2)		1,204.7
Total comprehensive income attributable to:				
Shareholders	1,201.4	(12.2)		1,189.2
Non-controlling interests	15.5	–		15.5
	1,216.9	(12.2)		1,204.7

^ The explanatory note on the effects of applying SFRS(I) 1 is detailed in part B of Note 2.2.1.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

(c) Consolidated Balance Sheet restated under SFRS(I) as at 1 January 2017

in Singapore Dollars (millions)	1 Jan 2017 as previously reported	Effect of transition to SFRS(I)^	Note	1 Jan 2017 restated under SFRS(I)
Share capital	152.7	–		152.7
Reserves				
Currency translation reserve	(139.8)	139.8	B1	–
Fair value reserve	65.5	150.7	A1	216.2
Retained earnings	6,510.5	(313.5)	A1, B1	6,197.0
SHAREHOLDERS' EQUITY	6,588.9	(23.0)		6,565.9
NON-CONTROLLING INTERESTS	75.3	–		75.3
TOTAL EQUITY	6,664.2	(23.0)		6,641.2
LIABILITIES				
Insurance payables	3,670.8	–		3,670.8
Other creditors	2,653.8	(1,386.3)	A2	1,267.5
Unexpired risk reserve	124.9	(124.9)	A1	–
Derivative financial liabilities	737.5	–		737.5
Income tax payable	446.4	5.2	B1	451.6
Provision for agents' retirement benefits	263.3	–		263.3
Deferred tax	1,058.3	–		1,058.3
Debt issued	399.6	–		399.6
General insurance fund	223.2	(223.2)	A1	–
Life assurance fund	54,881.1	(54,881.1)	A1	–
Insurance contract liabilities	–	55,247.0	A1	55,247.0
TOTAL EQUITY AND LIABILITIES	71,123.1	(1,386.3)		69,736.8
ASSETS				
Cash and cash equivalents	3,526.6	–		3,526.6
Other debtors	2,691.0	(1,386.3)	A2	1,304.7
Insurance receivables	2,604.5	–		2,604.5
Loans	1,609.0	–		1,609.0
Derivative financial assets	84.9	–		84.9
Investments	58,383.3	–		58,383.3
Associates	47.4	–		47.4
Intangible assets	32.0	–		32.0
Investment properties	1,539.0	–		1,539.0
Property, plant and equipment	605.4	–		605.4
TOTAL ASSETS	71,123.1	(1,386.3)		69,736.8

^ The explanatory note on the effects of applying SFRS(I) 1 is detailed in parts A and B of Note 2.2.1.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

(d) Consolidated Balance Sheet restated under SFRS(I) as at 31 December 2017 and 1 January 2018

in Singapore Dollars (millions)	31 Dec 2017 as previously reported	Effect of transition to SFRS(I) ^	Note	31 Dec 2017 restated under SFRS(I)	Effect of adoption of SFRS(I) 9^	As at 1 Jan 2018 reported under SFRS(I)
Share capital	152.7	–		152.7	–	152.7
Reserves						
Currency translation reserve	(137.0)	149.9	A1, B1	12.9	–	12.9
Fair value reserve	98.3	267.6	A1	365.9	(135.5)	230.4
Other reserve	0.2	–		0.2	–	0.2
Retained earnings	7,430.3	(433.3)	A1, B1	6,997.0	134.4	7,131.4
SHAREHOLDERS' EQUITY	7,544.5	(15.8)		7,528.7	(1.1)	7,527.6
NON-CONTROLLING INTERESTS	86.1	–		86.1	–	86.1
TOTAL EQUITY	7,630.6	(15.8)		7,614.8	(1.1)	7,613.7
LIABILITIES						
Insurance payables	4,124.1	–		4,124.1	–	4,124.1
Other creditors	4,334.7	(2,209.1)	A1, A2	2,125.6	–	2,125.6
Unexpired risk reserve	129.3	(129.3)	A1	–	–	–
Derivative financial liabilities	379.9	–		379.9	–	379.9
Income tax payable	534.7	5.2	B1	539.9	26.5	566.4
Provision for agents' retirement benefits	276.0	–		276.0	–	276.0
Deferred tax	1,375.0	–		1,375.0	(27.0)	1,348.0
Debt issued	399.7	–		399.7	–	399.7
General insurance fund	233.7	(233.7)	A1	–	–	–
Life assurance fund	65,143.9	(65,143.9)	A1	–	–	–
Insurance contract liabilities	–	65,512.3	A1	65,512.3	(3.2)	65,509.1
TOTAL EQUITY AND LIABILITIES	84,561.6	(2,214.3)		82,347.3	(4.8)	82,342.5
ASSETS						
Cash and cash equivalents	5,364.8	–		5,364.8	–	5,364.8
Other debtors	3,800.7	(2,214.3)	A2	1,586.4	–	1,586.4
Insurance receivables	2,701.1	–		2,701.1	–	2,701.1
Loans	1,359.1	–		1,359.1	(9.5)	1,349.6
Derivative financial assets	238.9	–		238.9	–	238.9
Investments	68,918.9	–		68,918.9	4.7	68,923.6
Assets held for sale	3.9	–		3.9	–	3.9
Associates	2.2	–		2.2	–	2.2
Intangible assets	27.6	–		27.6	–	27.6
Investment properties	1,553.0	–		1,553.0	–	1,553.0
Property, plant and equipment	591.4	–		591.4	–	591.4
TOTAL ASSETS	84,561.6	(2,214.3)		82,347.3	(4.8)	82,342.5

^ The explanatory notes on the effects of applying SFRS(I) 1 and SFRS(I) 9 are detailed in parts A, B and C of Note 2.2.1.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations:

A. Change in basis for preparation of the financial statements from fund accounting basis to an enterprise wide basis

A1. Change in basis for determination of insurance fund profit

The impact to Profit Attributable to Shareholders on adoption of SFRS(I) was mainly due to the different basis in determining insurance fund profit. Previously, insurance fund profit of the non-participating and investment-linked funds was determined in accordance with the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. Under the Insurance Regulations, majority of the changes in fair value of assets are recognised in the income statement of the Insurance Funds; while under SFRS, the insurance fund investments are mainly classified as available-for-sale with changes in fair value recognised through fair value reserve.

A2. Elimination of intra-group balances and transactions

Previously, intra-group balances, income and expenses between Shareholders', Life and General Insurance Funds were not eliminated as the Group prepared its financial statements on fund accounting basis. With the change in basis for preparation to an enterprise wide basis, these balances and transactions are eliminated.

B. Adoption of SFRS(I)

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I).

B1. Optional exemptions applied

The Group has elected for the optional exemption to reset its cumulative translation differences for foreign operations to nil at the date of transition at 1 January 2017. As a result, cumulative translation losses of $139.8 million were reclassified from currency translation reserve to the opening retained earnings as at 1 January 2017. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

C. SFRS(I) 9 Financial Instruments

The Group has adopted SFRS(I) 9 Financial Instruments effective 1 January 2018. The requirements of SFRS(I) 9 represent a significant change from SFRS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The key changes to the Group's accounting policies resulting from its adoption of SFRS(I) 9 are summarised below.

SFRS(I) 9 requires debt instruments to be classified either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). Classification under SFRS(I) 9 for debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is classified as amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are classified as FVOCI. Under the new model, FVTPL is the residual category – financial assets should therefore be classified as FVTPL if they do not meet the criteria of FVOCI or amortised cost. Regardless of the business model assessment, an entity can elect to classify a financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency. The gains or losses of debt instruments initially classified as FVOCI are recycled to profit or loss on derecognition.

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses, on an instrument-by-instrument basis on initial recognition, to present fair value changes in other comprehensive income, with no recycling of gains or losses in profit or loss on derecognition.

Derivatives and hybrid contracts with financial asset hosts where contractual cash flows are not solely payments of principal and interest, are required to be classified at fair value through profit or loss.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Transition

The changes in accounting policies have been applied retrospectively and the Group has elected to apply the limited exemption in SFRS(I) 9 and has not restated comparative periods in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

C. SFRS(I) 9 Financial Instruments (continued)

The following table shows the material reclassifications arising from adoption of SFRS(I) 9 on 1 January 2018.

in Singapore Dollars (millions)	Original classification under SFRS 39	**New classification under SFRS(I) 9**	Note	Group Original carrying amount under SFRS 39	**New carrying amount under SFRS(I) 9**
Financial assets					
Cash and cash equivalents	Loans and receivables	**Amortised cost**		5,364.8	**5,364.8**
Other debtors	Loans and receivables	**Amortised cost**		1,516.7	**1,516.7**
Insurance receivables	Loans and receivables	**Amortised cost**		2,535.9	**2,535.9**
Loans	Loans and receivables	**Amortised cost**		1,359.1	**1,349.6**
Derivative financial assets	FVTPL	**FVTPL (mandatory)**		238.9	**238.9**
Equity securities	Available-for-sale	**FVTPL (mandatory)**	a	12,107.4	**12,111.7**
Equity securities	Available-for-sale	**FVOCI**	a, b	2,212.9	**2,213.3**
Debt securities	Available-for-sale	**FVTPL (mandatory)**		1,011.6	**1,011.6**
Debt securities	Available-for-sale	**FVTPL (designated)**	c	32,758.4	**32,758.4**
Debt securities	Available-for-sale	**FVOCI**		6,098.6	**6,098.6**
Other investments	Available-for-sale	**FVTPL (mandatory)**		6,929.0	**6,929.0**
Equity securities	FVTPL	**FVTPL (mandatory)**		2,536.2	**2,536.2**
Debt securities	FVTPL	**FVTPL (designated)**		1,180.3	**1,180.3**
Other investments	FVTPL	**FVTPL (mandatory)**		2,430.6	**2,430.6**
Equity securities	Held-for-trading	**FVTPL (mandatory)**		12.1	**12.1**
Debt securities	Held-for-trading	**FVTPL (mandatory)**		1,641.8	**1,641.8**
Total financial assets				79,934.3	**79,929.5**
Financial liabilities					
Insurance payables	Amortised cost	**Amortised cost**		4,124.1	**4,124.1**
Other creditors	Amortised cost	**Amortised cost**		2,094.6	**2,094.6**
Derivative financial liabilities	FVTPL	**FVTPL**		379.9	**379.9**
Provision for agents' retirement benefits	Amortised cost	**Amortised cost**		276.0	**276.0**
Debt issued	Amortised cost	**Amortised cost**		399.7	**399.7**
Total financial liabilities				7,274.3	**7,274.3**

The Group's accounting policies on the classifications of financial instruments under SFRS(I) 9 are set out in Note 2.18. The application of these policies resulted in the reclassifications set out in the table above and are explained below.

(a) Before the adoption of SFRS(I) 9, certain equity securities were measured at cost because their fair value could not be reliably measured. SFRS(I) 9 has removed this cost exception.

(b) Certain equity securities held by the Group for strategic purposes have been designated as FVOCI under SFRS(I) 9. Certain available-for-sale equity securities have been designated under SFRS(I) 9 as FVOCI as they are not held-for-trading.

(c) Certain available-for-sale debt securities are held by the Group for with the intent to hold to collect contractual flows and sell. At the date of initial application of SFRS(I) 9, the Group elected the fair value option on these securities as it eliminates or significantly reduces an accounting mismatch. These assets are therefore measured at FVTPL under SFRS(I) 9.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

C. SFRS(I) 9 Financial Instruments (continued)

The following table reconciles the carrying amounts under SFRS 39 to the carrying amounts under SFRS(I) 9 on transition to SFRS(I) 9 on 1 January 2018.

	Group			
in Singapore Dollars (millions)	SFRS 39 carrying amount as at 31 December 2017	Reclassification	Remeasurement	SFRS(I) 9 carrying amount as at 1 January 2018
Amortised cost				
Loans				
As previously reported	1,359.1	–	–	1,359.1
Remeasurement	–	–	(9.5)	(9.5)
Total amortised cost	1,359.1	–	(9.5)	1,349.6
FVTPL				
Equity securities				
As previously reported	2,536.2	–	–	2,536.2
Reclassified from available-for-sale	–	12,107.4	–	12,107.4
Reclassified from held-for-trading	–	12.1	–	12.1
Remeasurement	–	–	4.3	4.3
As restated	2,536.2	12,119.5	4.3	14,660.0
Debt securities				
As previously reported	1,180.3	–	–	1,180.3
Reclassified from available-for-sale	–	33,770.0	–	33,770.0
Reclassified from held-for-trading	–	1,641.8	–	1,641.8
As restated	1,180.3	35,411.8	–	36,592.1
Other investments				
As previously reported	2,430.6	–	–	2,430.6
Reclassified from available-for-sale	–	6,929.0	–	6,929.0
As restated	2,430.6	6,929.0	–	9,359.6
Total FVTPL	6,147.1	54,460.3	4.3	60,611.7
FVOCI				
Equity securities				
As previously reported	–	–	–	–
Reclassified from available-for-sale	–	2,212.9	–	2,212.9
Remeasurement	–	–	0.4	0.4
As restated	–	2,212.9	0.4	2,213.3
Debt securities				
As previously reported	–	–	–	–
Reclassified from available-for-sale	–	6,098.6	–	6,098.6
As restated	–	6,098.6	–	6,098.6
Total FVOCI	–	8,311.5	0.4	8,311.9
Available-for-sale				
As previously reported	61,117.9	–	–	61,117.9
Reclassified to FVTPL	–	(52,806.4)	–	(52,806.4)
Reclassified to FVOCI	–	(8,311.5)	–	(8,311.5)
Total available-for-sale	61,117.9	(61,117.9)	–	–
Held-for-trading				
As previously reported	1,653.9	–	–	1,653.9
Reclassified to FVTPL	–	(1,653.9)	–	(1,653.9)
Total held-for-trading	1,653.9	(1,653.9)	–	–

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

C. SFRS(I) 9 Financial Instruments (continued)

The following table analyses the impact, net of tax, of transition to SFRS(I) 9 on fair value reserves and retained earnings. There is no impact on other components of equity.

in Singapore Dollars (millions)	Group
Fair value reserve	
Closing balance as at 31 December 2017, restated under SFRS(I), before adoption of SFRS(I) 9	365.9
Reclassification of investments from available-for-sale to FVTPL	(133.4)
Reclassification of investments from available-for-sale to FVOCI	(2.5)
Remeasurement of unquoted equities previously held at cost	0.4
Opening balance under SFRS(I) 9 as at 1 January 2018	230.4
Fair value reserve in insurance contract liabilities	
Closing balance as at 31 December 2017, restated under SFRS(I), before adoption of SFRS(I) 9	3,728.5
Reclassification of investments from available-for-sale to FVTPL	(3,728.1)
Opening balance under SFRS(I) 9 as at 1 January 2018	0.4
Retained earnings	
Closing balance as at 31 December 2017, restated under SFRS(I), before adoption of SFRS(I) 9	6,997.0
Reclassification of investments from available-for-sale to FVTPL	133.4
Reclassification of investments from available-for-sale to FVOCI	2.5
Recognition of expected credit losses under SFRS(I) 9	(1.4)
Related tax impact	(0.1)
Opening balance under SFRS(I) 9 as at 1 January 2018	7,131.4
Unallocated surplus in insurance contract liabilities	
Closing balance as at 31 December 2017, restated under SFRS(I), before adoption of SFRS(I) 9	(807.5)
Reclassification of investments from available-for-sale to FVTPL	3,728.1
Remeasurement of unquoted equities previously held at cost	4.3
Recognition of expected credit losses under SFRS(I) 9	(8.2)
Related tax impact	0.7
Opening balance under SFRS(I) 9 as at 1 January 2018	2,917.4

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.1 Adoption of SFRS(I) (continued)

C. SFRS(I) 9 Financial Instruments (continued)

Impairment of financial assets

SFRS(I) 9 replaces the 'incurred loss' model in SFRS 39 with an 'expected credit loss' ("ECL") model. The new impairment model also applies to certain loan commitments and financial guarantee contracts but not to equity investments.

Under SFRS(I) 9, credit losses are recognised earlier than under SFRS 39. For an explanation of how the Group applies the impairment requirements of SFRS(I) 9, see Note 2.10.8.

The following table reconciles the closing impairment allowance for financial assets in accordance with SFRS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with SFRS(I) 9 as at 1 January 2018.

	Group			
in Singapore Dollars (millions)	**SFRS 39 impairment allowance as at 31 December 2017**	**Reclassification**	**Remeasurement**	**SFRS(I) 9 impairment allowance as at 1 January 2018**
Loans and receivables under SFRS 39/ financial assets at amortised cost under SFRS(I) 9	47.3	–	9.5	56.8
Available-for-sale debt securities under SFRS 39/debt financial assets at FVOCI under SFRS(I) 9	64.0	(56.4)	6.0	13.6
Loan commitments	–	–	0.1	0.1
Total	**111.3**	**(56.4)**	**15.6**	**70.5**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.2 SFRS(I) not yet effective

The Group and the Company have not applied the following SFRS(I) that have been issued but which are not yet effective:

SFRS(I)	Title	Effective date (Annual periods beginning on or after)
SFRS(I) 16	Leases	1 January 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-28	Amendments to SFRS(I) 1-28 – Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 9	Amendments to SFRS(I) 9 – Prepayment Features with Negative Compensation	1 January 2019
Various	Annual Improvements to SFRS(I)s 2015 -2017 Cycle	1 January 2019
SFRS(I) 1-19	Amendments to SFRS(I) 1-19 – Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 17	Insurance Contracts	1 January 2021
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors expect that the adoption of the new standards above will not have any material impact on the financial statements in the year of initial application, except as disclosed below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019, and the Group will apply the standard from its mandatory adoption date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for leasehold land will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expense).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $62.7 million (Note 30). Of these commitments, approximately $1.7 million relate to short-term leases and $0.2 million to low-value leases which will both be recognised on a straight-line basis as expense in the Profit and Loss Statement and $54.1 million relate to leases signed but only commence after 1 January 2019. For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately $6.5 million.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.2 SFRS(I) not yet effective (continued)

SFRS(I) 16 Leases (continued)

The impact to net profit after tax for 2019 as a result of adopting the new standard is not material to the Group. Operating cash flows will increase and financing cash flows decrease by approximately $4.0 million as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and the Group does not expect any significant impact on the financial statements. However, additional disclosures will be required from next year.

SFRS(I) 17 Insurance Contracts

In May 2017, SFRS(I) 17 was issued, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces SFRS(I) 4.

SFRS(I) 17 is effective for annual periods beginning on or after 1 January 2021. The Group plans to adopt the new standard on the required effective date and a Project Steering Committee has been formed to oversee the implementation of SFRS(I) 17. The Group expects that the new standard will result in an important change to the accounting policies for insurance contract liabilities of the Group and is likely to have a significant impact on profit and total equity together with the Group's financial statements' presentation and disclosures.

2.3 Basis of Consolidation and Business Combinations

2.3.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Company's significant subsidiaries is shown in Note 3.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of Consolidation and Business Combinations (continued)

2.3.2 Business Combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in profit or loss.

The Group elects for each individual business combination, whether a non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.22. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2.4 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses, if any.

2.5 Joint Arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interests in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in a joint venture is set out in Note 2.6.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Associates and Joint Ventures

Associates are entities over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investment in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, an excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, investments in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and the respective carrying value and recognises the amount in the profit or loss.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures the retained investment at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Transactions with Non-Controlling Interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Company, and is presented separately in the Consolidated Profit and Loss Statement, Consolidated Statement of Comprehensive Income and within equity in the Consolidated Balance Sheet, separately from Shareholders' Equity. An exception to this occurs when non-controlling interests arise through minority unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity. These interests qualify as a financial liability as they give the holder the right to put the instrument back to the issuer for cash. Changes in these liabilities are recognised in the Consolidated Profit and Loss Statement as expenses.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

2.8 Foreign Currency Conversion and Translation

2.8.1 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional and presentation currency.

2.8.2 Transactions and Balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Profit and Loss Statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation. Exchange differences on non-monetary items such as equity investments classified as fair value through other comprehensive income and available-for-sale financial assets are included in the fair value reserve in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Foreign Currency Conversion and Translation (continued)

2.8.3 Consolidated Financial Statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into Singapore Dollars at the rate of exchange ruling at the end of the reporting period. The Profit and Loss Statement is translated at the exchange rates prevailing at the dates of the transactions. The exchange differences arising from the translation are recognised in the Statement of Comprehensive Income as foreign currency translation reserve.

On disposal of a foreign operation, the cumulative amount of exchange differences recognised in other comprehensive income relating to that particular foreign operation is recognised in the Profit and Loss Statement as gain or loss on disposal of the operation.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences is re-attributed to non-controlling interest and is not recognised in profit and loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to the Profit and Loss Statement.

2.9 Insurance Contracts

2.9.1 Product Classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and contractually based on the:
  - Performance of a specified pool of contracts or a specified type of contract,
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
  - The profit or loss of the company, fund or other entity that issues the contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.1 Product Classification (continued)

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through the Profit and Loss Statement. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through the Profit and Loss Statement.

For the purpose of SFRS(I) 4, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

The insurance subsidiaries within the Group write insurance contracts in accordance with the local Insurance Regulations prevailing in the jurisdictions in which the insurance subsidiaries operate.

2.9.2 Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

(a) Life Insurance contract liabilities; comprising
- Participating Fund contract liabilities;
- Non-Participating Fund contract liabilities; and
- Investment Linked Fund contract liabilities.

(b) Non-life Insurance contract liabilities.

(c) Reinsurance contracts.

2.9.3 Deferred Acquisition Costs

The Group does not defer acquisition costs relating to its insurance contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.4 Life Insurance Contract Liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the Profit and Loss Statement.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, where relevant, appropriate level of non-guaranteed benefits, less the present value of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above. Refer to Table 2.9 for details.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, including an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the Profit and Loss Statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the Profit and Loss Statements over the lives of the contracts, whereas losses are fully recognised in the Profit and Loss Statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.4 Life Insurance Contract Liabilities (continued)

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund) parameters which are set out in the Insurance Regulations of the respective jurisdiction in which the insurance subsidiaries operate. The provisions in the Articles of Association of the insurance subsidiaries within the Group are applied in conjunction with the prescriptions in the respective Insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholder bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective insurance subsidiary, in accordance with the Insurance Regulations and the Articles of Association of the respective insurance subsidiaries.

The valuation of insurance contract liabilities is determined according to:

(a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore ("MAS Regulations"); and
(b) Risk-Based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required by the Insurance Regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the Insurance Regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the Profit and Loss Statement.

The Group issues investment linked contracts as an insurance contract which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment linked fund set up by the insurance subsidiary. As an embedded derivative meets the definition of an insurance contract it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies in accordance with the terms and conditions of the insurance contracts.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.4 Life Insurance Contract Liabilities (continued)

TABLE 2.9 below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	SINGAPORE	MALAYSIA
Valuation Method	Gross Premium Valuation For Participating Fund, the method that produces the higher reserves of: (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.	Gross Premium Valuation For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cashflows discounted using Malaysia Government Securities zero coupon spot yields (as outlined below).
Interest Rate	(i) Singapore Government Securities zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate (LTRFDR) for cash flows between 15 to 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For Universal Life policies denominated in US dollar: a. Observable market yields of US Treasury Yield Curve Rates for cash flows up to year 30; b. Ultimate forward rate (UFR) of 3.5% applicable for cash flows beyond 60 years; and c. Extrapolated yields in between. *Data source: Bloomberg*	Malaysia Government Securities yields determined based on the following: (i) For cashflows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. *Data source: Bond Pricing Agency Malaysia*
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders	Participating Fund: (i) Best estimates for Gross Premium Valuation method (ii); (ii) Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (iii). Non-Participating and Non-Unit reserves of Investment Linked Fund: Best estimates plus provision for adverse deviation (PAD). *Data source: internal experience studies*	Participating Fund: (i) Best estimates for Gross Premium Valuation method (i); (ii) Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii). Non-Participating and Non-Unit reserves of Investment Linked Fund: Best estimates plus provision for risk of adverse deviation (PRAD). *Data source: internal experience studies*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.5 Non-life Insurance Contract Liabilities

The Group issues short term property and casualty contracts which protect the policyholder against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contracts and/or business interruption contracts; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contracts. The Group also issues short term medical and personal accident non-life insurance contracts.

Non-life insurance contract liabilities include premium liabilities and claim liabilities.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when contracts expire, are discharged or are cancelled.

Premium liabilities are the provision of unearned premiums representing premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the terms of the contracts and is recognised as premium income. Further provisions are made if expected future cash flow of unexpired insurance contracts exceed the unearned premiums of these contracts.

Unexpired Risk Reserve ("URR") represents the portion of the written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after the financial period, in the form of unearned premium. The change in the provision for unearned premium is taken to the Profit and Loss Statement in order that revenue is recognised over the period of risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

URR is computed using the 1/24th method and is reduced by the corresponding percentage of gross direct business, commissions and agency related expenses not exceeding limits specified by regulators in the respective jurisdictions in which the Group operates.

The valuation of non-life insurance claim liabilities at balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For Singapore and Malaysia, the valuation methods used include the Paid Claim Development method, the Incurred Claim Development method, the Paid Bornhuetter-Ferguson Method, the Incurred Bornhuetter-Ferguson Method and the Expected Loss Ratio Method. As required by the local Insurance Regulations, the provision for adverse deviation is set at 75% level of sufficiency for both Singapore and Malaysia. The claim liabilities is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.6 Reinsurance Contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the Profit and Loss Statement. Gains or losses on reinsurance are recognised in the Profit and Loss Statement immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.10 Recognition of Income and Expense

2.10.1 Premiums and Commissions

Life Insurance Business

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business, universal life and certain Takaful Non-participating products are recognised as revenue when payment is received.

Non-Life Insurance Business

Premiums from the non-life insurance business are recognised as revenue upon commencement of insurance cover, in the Profit and Loss Statement. Premiums pertaining to periods outside of the financial reporting period are adjusted through the movement in unexpired risk reserve. Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from non-life insurance contracts are recognised in the Profit and Loss Statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods outside of the financial reporting period are adjusted through the movement in unexpired risk reserve.

2.10.2 Interest Income

Interest income is recognised using the effective interest method.

2.10.3 Dividend Income

Dividend income is recognised as investment income when the Group's right to receive the payment is established. Dividend income from the Company's subsidiaries is recognised when the dividend is declared payable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Recognition of Income and Expense (continued)

2.10.4 Rental Income

Rental income from operating leases is recognised on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

2.10.5 Gain/Loss on Sale of Investments

Gains or losses on sale of investments are derived from the difference between net sales proceeds and the purchase or amortised cost. They are recognised on trade date.

2.10.6 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment test for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Profit and Loss Statement.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the Profit and Loss Statement. Unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10.7 Impairment of Financial Assets (Policy applicable before 1 January 2018)

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the Profit and Loss Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Recognition of Income and Expense (continued)

2.10.7 Impairment of Financial Assets (Policy applicable before 1 January 2018) (continued)

(a) Financial assets carried at amortised cost (continued)

When the asset becomes uncollectible, the carrying amount of the impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the Profit and Loss Statement.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, which indicates that the cost of the investment in the equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period for which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the Profit and Loss Statement, is transferred from other comprehensive income and recognised in the Profit and Loss Statement. Reversals of impairment losses in respect of equity instruments are not recognised in the Profit and Loss Statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Profit and Loss Statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Profit and Loss Statement, the impairment loss is reversed in the Profit and Loss Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Recognition of Income and Expense (continued)

2.10.8 Impairment of Financial Assets (Policy applicable after 1 January 2018)

The Group recognises loss allowances for expected credit losses ("ECL") on the following financial instruments that are not measured at FVTPL:

(i) Debt instruments measured at FVOCI;
(ii) Loans and receivables measured at amortised cost; and
(iii) Loan commitments.

The Group assesses on a forward looking basis the ECL associated with its loans and debt instruments carried at amortised cost and FVOCI and its loan commitments. For trade and insurance receivables, the Group measures the loss allowance at an amount equal to the lifetime expected credit losses. The Group recognises a loss allowance for ECL at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Group measures loss allowances at an amount equal to lifetime ECL, except for financial instruments on which credit risk has not increased significantly since their initial recognition.

12-month ECL represents the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Note 33(h) provides more details on how the expected loss allowance is measured.

Modified financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial asset should be derecognised and ECL are measured as follows.

- If the expected modification will not result in derecognition of the existing asset, and then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Recognition of Income and Expense (continued)

2.10.8 Impairment of Financial Assets (Policy applicable after 1 January 2018) (continued)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets measured at amortised cost and debt financial assets measured at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Group considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For financial assets that are not credit-impaired at the reporting date: the ECL is the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

For financial assets that are credit-impaired at the reporting date: the ECL is the difference between the gross carrying amount and the present value of estimated future cash flows,

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

2.10.9 Fees and Other Income

Fees and other income comprise mainly management and advisory fee income. Management and advisory fee income includes income earned from the provision of administration services, investment management services, surrenders and other contract fees. This fee income is recognised as revenue over the period in which the services are rendered. If the fees are for services to be provided in future periods, then they are deferred and recognised over those periods.

2.10.10 Employee Benefits

Defined Contribution Plans under Statutory Regulations

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore and Malaysia companies in the Group make contributions respectively to the Central Provident Fund and Employees' Provident Fund, which are defined contribution pension schemes. These contributions are recognised as an expense in the period in which the service is rendered.

Employee Leave Entitlements

An employee's entitlement to annual leave and long-service leave is estimated and accrued according to the Group's Human Resource policy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Recognition of Income and Expense (continued)

2.10.10 Employee Benefits (continued)

Share Options

Senior executives of the Group are granted share options in the OCBC Bank's Share Option Scheme as consideration for services rendered. Options granted are exercisable for up to 10 years. The options may be exercised after the first anniversary of the date of the grant, and generally vest in one-third increments over a 3-year period. The cost of these options are recognised as expense in the Profit and Loss Statement based on the fair value of the options at the date of the grant. The expense is recognised over the vesting period of the grant, with a corresponding increase in intercompany balance with the holding company.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Group or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the Profit and Loss Statement upon cancellation.

Deferred Share Plan

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Group are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). The deferred share awards are granted as part of variable performance bonus. Half of the share awards will vest two years from the grant date and the remaining half will vest at the end of three years from the grant date. The cost of the DSP is recognised in the Profit and Loss Statement on the straight-line basis over the vesting period of the DSP.

At each balance sheet date, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and/or lapsed.

2.10.11 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of SFRS(I) 1-17.

As Lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. The accounting policy for rental income is set out in Note 2.10.4.

As Lessee

Operating lease payments are recognised as an expense in the Profit and Loss Statement on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Taxes

2.11.1 Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.11.2 Deferred Tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Exceptions include:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to taxable income in the year when the asset is realised or the liability is settled, based on tax rates (and applicable tax laws and jurisdictions) that have been enacted or substantively enacted at the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Taxes (continued)

2.11.2 Deferred Tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

2.11.3 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 Policy Benefits

Policy benefits are recognised when the policyholder exercises the option to deposit the survival benefits with the life insurance subsidiary companies when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life insurance subsidiary companies. Interest payable on policy benefits is recognised in the Profit and Loss Statement as incurred.

2.14 Claims Admitted or Intimated

Full provision is made for the estimated cost of all life insurance claims notified but not settled at balance sheet date. Provision is made for estimated claims incurred but not reported for all classes of general insurance business written.

2.15 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments with maturity of three months or less, or are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. Prior to 1 January 2018, the carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the Profit and Loss Statement. After 1 January 2018, a loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the Profit and Loss Statement. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Notes 2.17 and 2.18 has been met.

2.17 Financial Assets (Policy applicable before 1 January 2018)

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual obligations of the financial asset. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.17.1 Financial Assets at Fair Value through Profit and Loss Statement

Financial assets at fair value through Profit and Loss Statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets classified as held for trading are derivatives, hybrid financial instruments with derivatives embedded in non-derivative host contract or assets acquired principally for the purpose of selling in the short term and which are not designated as hedging instruments in hedge relationships as defined by SFRS 39.

Investments held by the investment-linked funds and the Group's fully consolidated investment funds are designated as fair value through profit and loss at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

Derivatives are financial instruments or contracts where the values vary according to changes in interest rate, foreign exchange rate, credit spreads or other variable. The Group uses derivatives such as interest rate swaps and foreign exchange contracts for risk mitigation.

Subsequent to initial recognition, financial assets at fair value through Profit and Loss Statement are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the Profit and Loss Statement.

2.17.2 Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the Profit and Loss Statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial Assets (Policy applicable before 1 January 2018) (continued)

2.17.3 Available-for-sale Financial Assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in the fair value reserve in the Statement of Comprehensive Income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the Profit and Loss Statement accordingly. The cumulative gain or loss previously recognised in equity is recognised in the Profit and Loss Statement when the financial asset is derecognised.

Unquoted equity securities whose fair value cannot be reliably measured are measured at cost less impairment losses.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the Profit and Loss Statement.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.18 Financial Assets (Policy applicable after 1 January 2018)

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial asset. The Group determines the classification of its financial assets at initial recognition. At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the Profit and Loss Statement.

Classification

On initial recognition, a financial asset is classified as measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") or Fair Value Through Profit and Loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial Assets (Policy applicable after 1 January 2018) (continued)

Classification (continued)

A debt security is measured at FVOCI only if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

An equity security that is not held for trading may, by irrevocable election, be designated as measured at FVOCI. This election is made on an investment-by-investment basis. The Group has designated certain equity securities held for strategic purposes as measured at FVOCI.

A financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI may, by irrevocable election, be designated as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group has designated certain debt securities which are held with the intent to hold to collect contractual cash flows and sell as measured at FVTPL.

All other financial assets are classified as measured at FVTPL.

Business model assessment

The Group assesses the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If the cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial Assets (Policy applicable after 1 January 2018) (continued)

Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers the following key aspects:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Subsequent measurement

2.18.1 Debt Instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Gains or losses are also recognised in profit or loss when the assets are derecognised.

(ii) Fair Value through Other Comprehensive Income (FVOCI)

Debt instruments that are held for collection of contractual cash flows and for sale, where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Any gains or losses from changes in fair value are recognised in other comprehensive income and accumulated in fair value reserve. Impairment, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss when the financial asset is derecognised.

(iii) Fair Value through Profit Or Loss (FVTPL)

Debt instruments that do not meet the criteria for classification as amortised cost or FVOCI are measured at FVTPL. Any gains or losses from changes in fair value and interest are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial Assets (Policy applicable after 1 January 2018) (continued)

Subsequent measurement (continued)

2.18.2 Equity Instruments

The Group subsequently measures all equity instruments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when representing a return from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in fair value of equity instruments at FVTPL are recognised in profit or loss.

2.18.3 Derivatives and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated.

The Group applies hedge accounting for hedges of net investments in foreign operations. At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For hedges of net investments in foreign operations, gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the Profit and Loss Statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Profit and Loss Statement.

The Group uses forward currency contracts as hedges of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

2.18.4 Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the Profit and Loss Statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Financial Assets (Policy applicable after 1 January 2018) (continued)

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or has been transferred such that substantially all of the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, except for equity securities measured at FVOCI, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit and loss.

On derecognition of equity securities measured at FVOCI, any cumulative gain/loss recognised in OCI is not recognised in profit or loss.

On derecognition of all other financial assets in their entirety (or the carrying amount allocated to the portion of the asset derecognised), the difference between the carrying amount of the asset and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in the Profit and Loss Statement.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.19 Financial Liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when the Group becomes a party to the contractual obligations of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

The Group's financial liabilities include other creditors, provision for agents' retirement benefits, debt issued and insurance payables.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2.19.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term and include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the Profit and Loss Statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial Liabilities (continued)

2.19.2 Financial Liabilities at Amortised Cost

After initial recognition, other financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Profit and Loss Statement.

2.20 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.21 Determination of Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on the balance sheet date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual, and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with financial institutions is their carrying value. The carrying cost is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

Prior to 1 January 2018, if the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Profit and Loss Statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operation disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the parent company and are recorded in SGD at the rates prevailing at the date of acquisition.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

2.23 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Freehold land has an unlimited useful life and is not depreciated. No depreciation is provided for 999-year leasehold land. No depreciation is provided on capital works in progress as the assets are not yet available for use.

Depreciation of an asset begins when it is available for use and is calculated on a straight-line basis over the estimated useful life of an asset. The useful lives are as follows:

Leasehold land	Term of lease, up to 99 years
Buildings	50 years
Office furniture, fittings and equipment	5 to 10 years
Renovation	3 to 5 years
Computer equipment and software development costs	3 to 10 years
Motor vehicles	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate. This is to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the Profit and Loss Statement in the year the asset is derecognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Investment Properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the Profit and Loss Statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the retirement or disposal of an investment property are recognised in the Profit and Loss Statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.23 up to the date of change in use.

2.25 Provision for Agents' Retirement Benefits

Provision for agents' retirement benefits is set aside for agents of the Malaysian operations and is calculated in accordance with the terms and conditions in the respective agent's Agreement. The terms and conditions of the Agreement stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the agent shall be allocated a deferred benefit/retirement benefit. The deferred benefit/retirement benefit accumulated at Balance Sheet date includes accrued interest. The accrued deferred benefit shall only become payable provided the Agreement has been in force for certain continuous contract years and the agent has attained the minimum retirement age stipulated in the Agreement.

2.26 Related Parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Related Parties (continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
(iii) Both entities are joint ventures of the same third party;
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
(v) The entity is a post-employment benefit plan for the benefit of the employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
(vi) The entity is controlled or jointly controlled by a person identified in (a);
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

In the Company's financial statements, loans to subsidiaries are interest-free and stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investment in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest expense in the Profit and Loss Statement over the expected repayment period.

2.27 Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services. The management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.28 Share Capital and Share Issuance Expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair values can be reliably determined.

2.30 Critical Accounting Estimates and Judgments

In the preparation of the Group's financial statements, management makes estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Estimates, assumptions and judgments are continually evaluated and based on internal studies of actual historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2.30.1 Critical Accounting Estimates and Assumptions

(a) Liabilities of insurance business

The estimation of the ultimate liability arising from claims made under life and non-life insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, morbidity, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance fund contract liabilities. The carrying value of life insurance contract liabilities as at 31 December 2018 amounted to $65,592.9 million (31 December 2017: $62,230.0 million).

For non-life insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Critical Accounting Estimates and Judgments (continued)

2.30.1 Critical Accounting Estimates and Assumptions (continued)

(a) Liabilities of insurance business (continued)

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved. The carrying value of non-life insurance contract liabilities – claims liabilities, gross as at 31 December 2018 amounted to $236.7 million (31 December 2017: $232.0 million).

(b) Share option costs

The Group calculates the fair value of share options using the binomial model which requires input of certain variables which are determined based on assumptions made. Further details are provided in Note 29.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made. The carrying amount of the income tax and deferred tax provisions as at 31 December 2018 amounted to $1,639.8 million (31 December 2017: $1,914.9 million).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Critical Accounting Estimates and Judgments (continued)

2.30.1 Critical Accounting Estimates and Assumptions (continued)

(d) Provision for agents' retirement benefits

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions of the agreement, which stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Group shall allocate to the agent a deferred benefit/retirement benefit. Interest is accrued based on an estimated rate at the end of the financial year on the accumulated deferred benefit/retirement benefit with an adjustment made subsequent to year end for changes in certain statutory dividend rates. Additional provision is made to cover estimated liability for future benefits payable in the event of death, disability, investment returns and benefits payable. The agents' retirement benefit becomes vested and payable upon fulfilment of the stipulated conditions.

Judgment is required to estimate the provision to be made, based upon the likely fulfilment of the conditions and occurrence of the claimable event. At each reporting year, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the provision. The carrying amount of agents' retirement benefits as at 31 December 2018 amounted to $276.1 million (31 December 2017: $276.0 million).

2.30.2 Critical Judgments in Applying Accounting Policies

(a) Impairment of goodwill

The Group conducts impairment tests on the carrying value of goodwill in accordance with the accounting policy stated in Note 2.22. The recoverable amounts of cash-generating units are determined based on the value-in-use method, which adopts a discounted cash flow approach on projections, budgets and forecasts over a 5-year period. Cash flows beyond the fifth year are extrapolated using estimated terminal growth rates not exceeding the long-term average growth of the industry and country in which the cash-generating unit operates. The discount rates applied to the cash flow projections are derived from the Group's weighted average cost of capital at the date of assessment. Changes to the assumptions, particularly the discount rate and terminal growth rate, may significantly affect the results of the impairment test. Further details of the key assumptions applied in the impairment assessment of goodwill are provided in Note 26.

(b) Impairment of financial assets (Policy applicable before 1 January 2018)

The Group determines impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collaterals for impaired loans against the carrying value of the loans. The future recoverable cash flows are determined based on credit assessment on a loan-by-loan basis for impaired loans.

The Group reviews its debt securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(c) Impairment of financial assets (Policy applicable after 1 January 2018)

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 33(h).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Critical Accounting Estimates and Judgments (continued)

2.30.2 Critical Judgments in Applying Accounting Policies (continued)

(d) Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether upon the insured event the Group is required to pay significant additional benefits. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

(e) Property classification

The Group adopts certain criteria based on SFRS(I) 1-40, Investment Property in determining whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased separately under a finance lease), the Group would account for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

3 SUBSIDIARIES AND ASSOCIATES

	Country of Incorporation	Principal Activities	Effective interest held by GEH 2018 %	Effective interest held by GEH 2017 %
(i) **SIGNIFICANT SUBSIDIARIES**				
Held by the Company				
The Great Eastern Life Assurance Company Limited(3.1)	Singapore	Life assurance	**100.0**	100.0
Great Eastern General Insurance Limited(3.1)	Singapore	Composite insurance	**100.0**	100.0
Lion Global Investors Limited(3.1)	Singapore	Asset management	**70.0**	70.0
The Great Eastern Trust Private Limited(3.1)	Singapore	Investment holding	**100.0**	100.0
Held through subsidiaries				
Great Eastern Life Assurance (Malaysia) Berhad(3.2)	Malaysia	Life assurance	**100.0**	100.0
Great Eastern General Insurance (Malaysia) Berhad(3.2)	Malaysia	General insurance	**100.0**	100.0
P.T. Great Eastern Life Indonesia(3.2)	Indonesia	Life assurance	**99.5**	99.5
Straits Eastern Square Private Limited(3.1)	Singapore	Property investment	**100.0**	100.0
218 Orchard Private Limited(3.1)	Singapore	Property investment	**100.0**	100.0
Great Eastern Takaful Bhd(3.2)	Malaysia	Family Takaful business	**70.0**	70.0
LGlobal Funds-Asia High Dividend Equity(3.3) & (3.4)	Luxembourg	Collective portfolio investment fund	**14.2**	13.5
Affin Hwang Wholesale Income Fund(3.3)	Malaysia	Wholesale fixed income fund	**100.0**	100.0
(ii) **SIGNIFICANT ASSOCIATES**				
Held through subsidiaries				
Lion Indian Real Estate Fund(3.3)	Cayman Islands	Real Estate Investment Trust	**45.5**	45.5

(3.1) Audited by Ernst & Young LLP, Singapore.

(3.2) Audited by member firms of EY Global in the respective countries.

(3.3) Audited by PricewaterhouseCoopers.

(3.4) LGlobal Funds-Asia High Dividend Equity is considered a subsidiary as the Group is deemed to have control over the fund in accordance with SFRS(I) 10.

4 INVESTMENT INCOME, NET

in Singapore Dollars (millions)	Group 2018	2017
Dividend income		
– Investments		
Available-for-sale financial assets	**–**	475.8
Financial assets at fair value through profit and loss statement	**–**	87.5
Financial assets measured at FVOCI	**123.1**	–
Financial assets mandatorily measured at FVTPL	**577.9**	–
	701.0	563.3
Interest income		
– Investments		
Available-for-sale financial assets	**–**	1,476.5
Financial assets at fair value through profit and loss statement	**–**	76.1
Financial instruments measured at FVOCI	**246.6**	–
Financial instruments mandatorily measured at FVTPL	**83.9**	–
Financial instruments designated as at FVTPL	**1,393.6**	–
– Loans and receivables	**–**	250.3
– Financial assets at amortised cost	**321.1**	–
	2,045.2	1,802.9
	2,746.2	2,366.2
less: Investment related expenses	**(121.9)**	(141.2)
	2,624.3	2,225.0

During the year ended 31 December 2018, $17.0 million of the dividend income relates to equity investments measured at FVOCI which were derecognised during the reporting year.

5 GAIN/(LOSS) ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE

in Singapore Dollars (millions)	Note	Group 2018	2017
Realised gain/(loss) from sale of investments		**1.5**	(24.3)
Changes in fair value of investment properties	27	**40.2**	9.8
Amount transferred from Statement of Comprehensive Income on sale of available-for-sale investments		**–**	529.8
Amount transferred from Fair Value Reserve on sale of available-for-sale investments		**–**	948.3
Net loss on sale of debt securities measured at FVOCI		**(5.5)**	–
Changes in fair value of investments			
– mandatorily measured at FVTPL		**(2,197.9)**	908.0
– designated as at FVTPL		**(469.1)**	815.5
		(2,667.0)	1,723.5
		(2,630.8)	3,187.1

6 PROVISION FOR AGENTS' RETIREMENT BENEFITS

	Group	
in Singapore Dollars (millions)	**2018**	2017
Balance at the beginning of the year	**276.0**	263.3
Currency translation reserve adjustment	**(1.0)**	7.7
Increase in provision for the year	**27.8**	37.9
Paid during the year	**(26.7)**	(32.9)
Balance at the end of the year	**276.1**	276.0

As at 31 December 2018, $99.7 million (31 December 2017: $93.0 million) of the above provision for agents' retirement benefits is payable within one year.

7 ADDITIONAL PROFIT & LOSS DISCLOSURES

		Group	
in Singapore Dollars (millions)	**Note**	**2018**	2017
Fees paid to auditors		**4.9**	2.5
Audit fees paid to Auditor of the Company		**1.8**	1.6
Audit fees paid to other auditors		**0.4**	0.5
Non-audit fees paid to Auditor of the Company		**1.8**	0.3
Non-audit fees paid to other auditors		**0.9**	0.1
Staff costs and related expenses (including executive directors and key management personnel compensation)		**307.2**	359.6
Salaries, wages, bonuses and other costs		**269.0**	320.7
Central Provident Fund / Employee Provident Fund		**31.9**	34.2
Share-based payments		**6.3**	4.7
Rental expense		**23.2**	23.4
Fee income		**75.7**	74.2
Fund management fee		**74.7**	73.2
Financial advisory fee		**1.0**	1.0
Gain on disposal of property, plant and equipment		**(1.1)**	–
Property, plant and equipment		**0.4**	–
Assets held for sale	22	**(1.5)**	–
Depreciation	28	**56.7**	70.7
Interest expense on policy benefits		**173.4**	152.1
Provision for impairment of assets		**(40.4)**	251.9
Financial assets	33	**(40.4)**	246.9
Goodwill	26	**–**	4.7
Property, plant and equipment	28	**–**	0.3

8 INCOME TAX

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2018 and 2017 are:

	in Singapore Dollars (millions)	Note	Group 2018	Group 2017
(a)	**Tax attributable to policyholders' returns:**			
	Current income tax:			
	– Current income taxation		**158.4**	184.6
	– Under/(over) provision in respect of previous years		**0.7**	(0.4)
			159.1	184.2
	Deferred income tax:			
	– Origination and reversal of temporary differences		**(119.0)**	226.4
			(119.0)	226.4
			40.1	410.6
(b)	**Income tax expense**			
	Current income tax:			
	– Current income taxation		**160.7**	227.6
	– Over provision in respect of previous years		**(2.5)**	(9.7)
			158.2	217.9
	Deferred income tax:			
	– Origination and reversal of temporary differences		**(0.1)**	0.7
			(0.1)	0.7
			158.1	218.6
	Total tax charge for the year recognised in Profit and Loss Statement		**198.2**	629.2

Deferred tax for the year, on fair value changes on fair value through other comprehensive income and available-for-sale investments, charged directly to other comprehensive income:

	Note	2018	2017
– equity		**105.9**	(31.8)
– insurance funds	15	**0.1**	(52.1)

Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2018 and 2017 is as follows:

	2018	2017
Profit before income tax	**908.6**	1,266.7
Tax at the domestic rates applicable to profits in the countries where the Group operates	**187.1**	247.7
Adjustments:		
Foreign tax paid not recoverable	**8.6**	4.0
Permanent differences	**67.7**	63.4
Tax exempt income	**(102.9)**	(90.3)
Deferred tax assets not recognised	**0.1**	3.5
Over provision in respect of previous years	**(2.5)**	(9.7)
Income tax expense recognised in the Profit and Loss Statement	**158.1**	218.6

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

8 INCOME TAX (CONTINUED)

in Singapore Dollars (millions)	Note	Group 2018	2017
Deferred Tax			
Balance at the beginning of the year		**1,375.0**	1,058.3
Adoption of SFRS(I) 9		**(27.0)**	–
Balance at the beginning of the year, restated		**1,348.0**	1,058.3
Currency translation reserve adjustment		**0.4**	5.8
Deferred tax charge taken to Profit and Loss Statement:			
Other temporary differences		**28.3**	43.0
Fair value changes		**(98.3)**	6.0
Provision against future policyholders' bonus	15	**(49.1)**	178.1
Deferred tax on fair value changes on investments at FVOCI and available-for-sale investments		**(97.2)**	83.8
		1,132.1	1,375.0

Deferred taxes at 31 December related to the following:

	Balance Sheets 2018	2017
Deferred tax liabilities:		
Differences in depreciation for tax purposes	**10.8**	12.1
Accrued investment income	**1.4**	1.6
Net unrealised gains on investments	**111.2**	301.0
Net accretion on fixed income investments	**47.6**	17.8
Undistributed bonus to policyholders	**961.9**	1,011.5
Differences in insurance items	**42.7**	42.8
Deferred tax liabilities	**1,175.6**	1,386.8
Deferred tax assets:		
Net unrealised loss on investments	**40.4**	–
Net amortisation on fixed income investments	**1.7**	10.1
Other accruals and provisions	**1.4**	1.7
Deferred tax assets	**43.5**	11.8
Net deferred tax liabilities	**1,132.1**	1,375.0

8 INCOME TAX (CONTINUED)

in Singapore Dollars (millions)	Note	Group 2018	Group 2017
Deferred taxes at 31 December related to the following:			
		Profit and Loss Statement	
Deferred tax liabilities:			
Differences in depreciation for tax purposes		**(1.3)**	(1.9)
Accrued investment income		**(0.2)**	0.1
Net unrealised (loss)/gain on investments		**(42.9)**	136.6
Net accretion on fixed income investments		**29.7**	(78.6)
Undistributed bonus to policyholders	15	**(49.1)**	178.1
Deferred tax assets:			
Net unrealised (loss)/gain on investments		**(40.4)**	2.9
Unutilised tax losses carried forward		**–**	0.9
Net amortisation on fixed income investments		**(11.8)**	(10.1)
Other accruals and provisions		**(3.1)**	(0.9)
Deferred tax expense		**(119.1)**	227.1

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately $2.8 million (31 December 2017: $4.7 million) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

There are no unrecognised temporary differences relating to investments in subsidiaries.

9 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted and basic earnings per share are the same as there are no dilutive potential ordinary shares.

The following reflects the profit for the year attributable to ordinary shareholders and the weighted average number of shares outstanding during the year, used in the computation of basic and diluted earnings per share for the years ended 31 December:

		Group	
		2018	2017
Profit attributable to ordinary shareholders for computation of basic and diluted earnings per share	(in millions of Singapore Dollars)	**740.7**	1,036.7
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share	(in millions)	**473.3**	473.3
Basic and diluted earnings per share	(in Singapore Dollars)	**$1.56**	$2.19

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

10 SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	**Amount $'mil**	Number of shares	Amount $'mil
Ordinary shares: Issued and fully paid				
Balance at the beginning and end of the year	**473,319,069**	**152.7**	473,319,069	152.7

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In accordance with the Companies Act Cap. 50, the shares of the Company have no par value.

11 RESERVES

Merger reserve represents the difference between the fair value and nominal value of shares issued for the acquisition of a subsidiary. The merger reserve had been utilised in part in prior years to write-off the goodwill on acquisition of the subsidiary.

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. The currency translation reserve is also used to record the effect of hedging of net investment in foreign operations.

The fair value reserve comprises the cumulative net change in the fair value of financial assets measured at FVOCI and the related loss allowance recognised in profit or loss until the assets are derecognised, net of tax. For available-for-sale financial assets that had already been derecognised at 1 January 2018, the cumulative fair value changes were also included in the fair value reserve until the assets were disposed of or impaired.

The other reserve represents the gain or loss on disposal of interest in subsidiary, without loss of control, reclassifed to equity.

As at 31 December 2018, non-distributable reserves of $2,212.9 million (31 December 2017: $2,198.6 million) have been set aside by the Group's insurance entities to meet risk-based capital requirements for regulatory reporting purposes. These reserves are deemed statutory reserves and are not available for distribution to shareholders. These statutory reserves are measured according to the regulatory prescriptions and are subject to changes in line with the underlying risks underwritten by the respective businesses. Refer to Note 33 for more details.

12 INSURANCE PAYABLES

	Group	
in Singapore Dollars (millions)	**2018**	2017
Claims admitted or intimated	**279.4**	278.8
Policy benefits	**4,192.0**	3,742.8
Reinsurance liabilities	**147.8**	102.5
	4,619.2	4,124.1

Policy benefits bear interest at 3% per annum (2017: 3% per annum) for the Group's insurance subsidiaries in Singapore and at 5% per annum (2017: 5% per annum) for the Group's insurance subsidiaries in Malaysia.

13 OTHER CREDITORS

Other creditors comprise the following:

in Singapore Dollars (millions)	Group 2018	Group 2017	Company 2018	Company 2017
Financial Liabilities:				
Accrued expenses and other creditors	**1,377.8**	1,267.2	**7.7**	8.2
Investment creditors	**192.5**	780.8	**–**	–
Interest payable	**9.2**	9.2	**–**	–
Amount due to holding company[1]	**5.0**	2.3	**–**	–
Third-party interests in consolidated investment funds[2]	**27.6**	35.1	**–**	–
	1,612.1	2,094.6	**7.7**	8.2
Non-Financial Liabilities:				
Premiums in suspense	**35.0**	31.0	**–**	–
	1,647.1	2,125.6	**7.7**	8.2

(1) Amount due to holding company is non-trade related, unsecured, interest-free, repayable upon demand and is to be settled in cash.

(2) Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

14 DEBT ISSUED

in Singapore Dollars (millions)	Issue Date	Maturity Date	Group 2018	Group 2017
Issued by The Great Eastern Life Assurance Company Limited:				
$400.0 million 4.6% subordinated fixed rate notes	19 Jan 2011	19 Jan 2026	**399.8**	399.7
			399.8	399.7

On 19 January 2011, one of the Group's subsidiaries issued $400.0 million subordinated fixed rate notes ("Notes") due 2026 callable in 2021. The Notes will initially bear interest at the rate of 4.6% per annum, payable semi-annually on 19 January and 19 July each year up to 19 January 2021. If the Notes are not redeemed or purchased and cancelled on 19 January 2021, the interest rate from that date will be reset at a fixed rate per annum equal to the aggregate of the then prevailing 5-year SGD Swap Offer Rate and 1.35%, payable semi-annually in arrears. The subordinated notes qualify as Tier 2 capital for the Group.

15 INSURANCE CONTRACT LIABILITIES

in Singapore Dollars (millions)	Note	Group 2018	Group 2017
Life insurance contracts	15.1	**68,260.3**	65,151.0
Non-life insurance contracts	15.2	**383.5**	361.3
		68,643.8	65,512.3

15.1 Life insurance contracts

		2018	2017
Life insurance contract liabilities		**65,592.9**	62,230.0
Unallocated surplus		**2,668.0**	(807.5)
Fair value reserve[1]		**(0.6)**	3,728.5
		68,260.3	65,151.0
Movement in life insurance contract liabilities			
Balance at the beginning of the year as previously reported		**65,151.0**	54,881.1
Effect of SFRS(I)		**–**	19.1
Balance at the beginning of the year, restated under SFRS(I)		**65,151.0**	54,900.2
Adoption of SFRS(I) 9		**(3.2)**	–
Balance at the beginning of the year, restated		**65,147.8**	54,900.2
Currency translation reserve adjustment		**(70.3)**	493.6
Fair value reserve movement			
– Fair value changes on remeasuring FVOCI/available-for-sale investments		**(1.3)**	2,540.1
– Changes in allowance for expected credit losses		**0.3**	–
– Transfer of fair value reserve to Profit and Loss Statement on sale of investments		**0.3**	(947.0)
– Deferred tax on fair value changes	8	**0.1**	(52.1)
Change in life insurance contract liabilities			
– Due to assumptions change		**(8.4)**	(117.0)
– Due to change in discount rate		**(138.7)**	201.0
– Due to movement during the year		**3,527.2**	8,975.0
Provision for deferred tax on future policyholders' bonus	8	**49.1**	(178.1)
Unallocated surplus		**(245.8)**	(664.7)
Balance at the end of the year		**68,260.3**	65,151.0

Life insurance contract liabilities at 31 December comprised the following:

	2018	2017
Contracts with Discretionary Participating Features ("DPF")	**48,091.2**	47,119.4
Contracts without Discretionary Participating Features ("DPF")	**11,325.3**	8,816.7
Investment-linked contracts	**6,176.4**	6,293.9
	65,592.9	62,230.0

[1] The above fair value reserve is deemed equity of Life Insurance Fund.

15 INSURANCE CONTRACT LIABILITIES (CONTINUED)

15.2 Non-life insurance contracts

in Singapore Dollars (millions)	Note	Group 2018	2017
Non-life Insurance Contracts comprises:			
Net claims liabilities		**116.3**	111.6
Reinsurers' share of claims liabilities	17	**120.4**	120.4
Claims liabilities, gross		**236.7**	232.0
Net premium liabilities		**95.7**	84.5
Reinsurers' share of premium liabilities	17	**51.1**	44.8
Premium liabilities, gross		**146.8**	129.3
Total		**383.5**	361.3
Movement in claims liabilities			
Balance at the beginning of the year as previously reported		**111.6**	117.6
Effect of SFRS(I)		**–**	(1.3)
Balance at the beginning of the year, restated		**111.6**	116.3
Currency translation reserve adjustment		**(0.1)**	1.4
Increase in claims liabilities during the year, gross		**(3.2)**	(11.7)
Movement in reinsurer's share of claims liabilities during the year		**8.0**	5.6
Balance at the end of the year		**116.3**	111.6
Movement in premium liabilities			
Balance at the beginning of the year		**84.5**	75.2
Translation reserve adjustment		**(0.2)**	1.2
Increase in premium liabilities during the year, gross		**17.5**	1.0
Movement in reinsurer's share in premium liabilities during the year		**(6.1)**	7.1
Balance at the end of the year		**95.7**	84.5
Fair Value Reserve[1]			
Balance at the beginning of the year		**–**	1.9
Effect of SFRS(I)		**–**	(1.9)
Balance at the beginning of the period, restated		**–**	–
Balance at the end of the year		**–**	–

[1] The above fair value reserve is deemed equity of Non-life Insurance Fund until 31 December 2017.

16 OTHER DEBTORS

in Singapore Dollars (millions)	Note	Group 2018	Group 2017
Other debtors comprise the following:			
Financial Assets:			
Accrued interest and dividend receivable		**575.4**	540.7
Investment debtors		**380.0**	874.4
Other receivables		**55.5**	62.9
Deposits collected		**3.7**	38.7
	19	**1,014.6**	1,516.7
Non-Financial Assets:			
Prepayments and others		**58.9**	69.7
		1,073.5	1,586.4

As at 31 December 2018, the Company had prepayments of $0.1 million (31 December 2017: $0.1 million).

17 INSURANCE RECEIVABLES

in Singapore Dollars (millions)	Note	Group 2018	Group 2017
Insurance receivables comprise the following:			
Financial Assets:			
Due from policyholders:			
Outstanding premiums	33	**261.5**	244.8
Policy loans		**2,344.9**	2,276.2
Due from reinsurers:			
Amounts due from reinsurers		**16.2**	14.9
	19	**2,622.6**	2,535.9
Non-Financial Assets:			
Reinsurers' share of:			
Premium liabilities	15	**51.1**	44.8
Claims liabilities	15	**120.4**	120.4
		2,794.1	2,701.1

18 AMOUNTS DUE FROM SUBSIDIARIES

in Singapore Dollars (millions)	Note	Company 2018	Company 2017
Amounts due from subsidiaries		**2,655.4**	2,679.4
Loans to subsidiaries		**9.1**	9.1
Provision for impairment of unsecured loan to subsidiary		**(7.0)**	(7.0)
	19	**2,657.5**	2,681.5

The amounts due from subsidiaries and loans to subsidiaries are non-trade related, unsecured, interest-free, repayable on demand and are to be settled in cash.

19 LOANS AND FINANCIAL ASSETS AT AMORTISED COST

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Loans comprise the following:					
Secured loans		**1,049.9**	1,157.9	**–**	–
Unsecured loans		**300.4**	248.5	**–**	–
		1,350.3	1,406.4	**–**	–
less: Provision for impairment of secured loans	33	**15.3**	47.3	**–**	–
Provision for impairment of unsecured loans	33	**5.4**	–	**–**	–
		1,329.6	1,359.1	**–**	–

If loans were carried at fair value, the carrying amounts would be as follows:

	Note	Group 2018	Group 2017	Company 2018	Company 2017
Loans		**1,344.2**	1,373.1	**–**	–
Loans and financial assets at amortised cost:					
Cash and cash equivalents		**5,705.1**	5,364.8	**42.6**	20.6
Other debtors	16	**1,014.6**	1,516.7	**–**	–
Insurance receivables	17	**2,622.6**	2,535.9	**–**	–
Loans		**1,329.6**	1,359.1	**–**	–
Amounts due from subsidiaries	18	**–**	–	**2,657.5**	2,681.5
Total loans and financial assets at amortised cost		**10,671.9**	10,776.5	**2,700.1**	2,702.1

19.1 Loans analysed by Interest Rate Sensitivity and Geography

	Group 2018	Group 2017	Company 2018	Company 2017
Fixed				
Singapore	**174.5**	123.8	**–**	–
Malaysia	**817.9**	927.3	**–**	–
	992.4	1,051.1	**–**	–
Floating				
Singapore	**337.2**	308.0	**–**	–
Total	**1,329.6**	1,359.1	**–**	–

The analysis by interest rate sensitivity is based on where the transactions are booked and where the credit risk resides.

20 DERIVATIVE FINANCIAL INSTRUMENTS

in Singapore Dollars (millions)	**Notional Principal 2018**	**Derivative Financial Assets 2018**	**Derivative Financial Liabilities 2018**	Notional Principal 2017	Derivative Financial Assets 2017	Derivative Financial Liabilities 2017
Foreign exchange:						
Forwards	**12,831.5**	**88.3**	**(28.9)**	9,795.0	115.2	(29.9)
Currency swaps	**6,706.6**	**105.1**	**(261.4)**	5,361.0	95.3	(348.1)
Options	**163.6**	**0.2**	**(0.4)**	–	–	–
Interest rates:						
Swaps	**783.7**	**27.6**	**(0.6)**	677.0	26.5	(0.3)
Exchange traded futures	**457.2**	**5.4**	**(2.3)**	407.9	0.2	(0.7)
Equity:						
Futures	**0.2**	**0.3**	**(1.0)**	–	–	–
Options	**–**	**–**	**(0.1)**	0.4	1.7	(0.9)
	20,942.8	**226.9**	**(294.7)**	16,241.3	238.9	(379.9)

The table above shows the fair value of derivative financial instruments, recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and the basis upon which changes in the value of derivatives are measured.

The fair value of derivatives shown above represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the changes in value.

20.1 Hedge of net investments in foreign operations

Included in derivative financial instruments as at 31 December 2018 and 2017 were foreign exchange forward contracts designated as hedges of the net investments in the Group's subsidiaries. The foreign exchange forward contracts are being used to hedge the Group's exposure to foreign exchange risk on these investments. The movement in fair value of the foreign exchange forward contracts are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the years ended 31 December 2018 and 2017.

in Singapore Dollars (millions)	**Notional Principal 2018**	**Derivative Financial Assets 2018**	**Derivative Financial Liabilities 2018**	Notional Principal 2017	Derivative Financial Assets 2017	Derivative Financial Liabilities 2017
Foreign exchange:						
Forwards	**493.7**	**1.4**	**(1.9)**	303.5	–	(13.8)

21 INVESTMENTS

21.1 Financial assets at FVOCI

in Singapore Dollars (millions)		Note	Group 2018	Group 2017
Equity securities designated at FVOCI				
(i)	Quoted equity securities		**1,819.6**	–
	– Singapore Exchange		**528.7**	–
	– Australian Stock Exchange		**516.4**	–
	– Taiwan Stock Exchange		**233.2**	–
	– Others		**541.3**	–
(ii)	Unquoted equity securities		**32.5**	–
			1,852.1	–
Debt securities				
(iii)	Quoted debt securities[1]		**5,414.9**	–
(iv)	Unquoted debt securities		**1,543.8**	–
			6,958.7	–
Total securities measured at FVOCI			**8,810.8**	–

During the financial year ended 31 December 2018, the Group sold listed equity securities as the underlying investments are no longer aligned with the Group's long-term investment strategy. These investments had a fair value of $1,379.5 million at the date of disposal. The cumulative loss on disposal of $50.0 million was reclassified from fair value reserve to retained earnings.

21.2 Available-for-sale financial assets

		Note	2018	2017
Equity securities				
(i)	Quoted equity securities		**–**	14,120.6
(ii)	Unquoted equity securities		**–**	554.8
			–	14,675.4
less:	Provision for impairment of quoted equity securities	33	**–**	288.8
	Provision for impairment of unquoted equity securities	33	**–**	66.3
			–	14,320.3
Debt securities				
(iii)	Quoted debt securities[1]		**–**	27,193.6
(iv)	Unquoted debt securities		**–**	12,739.0
			–	39,932.6
less:	Provision for impairment of unquoted debt securities	33	**–**	64.0
			–	39,868.6
Other investments				
(v)	Collective investment schemes[2]		**–**	6,983.0
less:	Provision for impairment of collective investment schemes	33	**–**	54.0
			–	6,929.0
Total available-for-sale financial assets			**–**	61,117.9

21 INVESTMENTS (CONTINUED)

21.3 Financial assets at FVTPL

in Singapore Dollars (millions)	Group 2018	Group 2017
Mandatorily measured at FVTPL		
Equity securities		
(i) Quoted equity securities	**11,643.0**	2,535.1
(ii) Unquoted equity securities	**554.6**	1.1
	12,197.6	2,536.2
Debt securities		
(iii) Quoted debt securities	**1,233.7**	–
(iv) Unquoted debt securities	**1,889.7**	–
	3,123.4	–
Other investments		
(v) Collective investment schemes[2]	**9,568.3**	2,430.6
Total financial assets mandatorily measured at FVTPL	**24,889.3**	4,966.8
Designated as at FVTPL		
Debt securities		
(i) Quoted debt securities	**25,142.8**	419.0
(ii) Unquoted debt securities	**12,678.4**	761.3
Total financial assets designated at FVTPL[3]	**37,821.2**	1,180.3
Total financial assets at FVTPL	**62,710.5**	6,147.1

21.4 Financial instruments held-for-trading

	Group 2018	Group 2017
Equity securities		
(i) Quoted equity securities	**–**	12.1
	–	12.1
Debt securities		
(ii) Quoted debt securities	**–**	541.2
(iii) Unquoted debt securities	**–**	1,100.6
	–	1,641.8
Total financial instruments held-for-trading	**–**	1,653.9
TOTAL INVESTMENTS	**71,521.3**	68,918.9

[1] Included in quoted debt securities are quoted government securities amounting to $8.6 million (2017: $7.4 million) which are lodged with the regulator as statutory deposits.

[2] Collective investment schemes include but are not limited to unit trusts, hedge funds and real estate investment funds.

[3] These securities are designated as fair value through Profit and Loss Statement on initial recognition.

22 ASSETS HELD FOR SALE

in Singapore Dollars (millions)	Note	Group 2018	Group 2017
Carrying Value:			
At 1 January		**3.9**	–
Reclassification from property, plant and equipment	28	**–**	3.9
Disposals		**(3.9)**	–
At 31 December		**–**	3.9

The sale of the property was completed on 30 August 2018. The Group recognised a gain on disposal of $1.5 million in the Profit and Loss Statement.

23 ASSOCIATES

in Singapore Dollars (millions)	Group 2018	Group 2017
Investment in shares, at cost	**14.6**	14.6
Share of post-acquisition results	**(13.6)**	(13.1)
Currency translation adjustment	**0.7**	0.7
	(12.9)	(12.4)
Carrying amount at 31 December	**1.7**	2.2

Following the redemption of the Group's associate, Fairfield Investment Fund Ltd ("Fairfield") in 2017, the Group ceased to account for Fairfield as its associate.

For the current financial year, the Group recognised its associate's share of operating results based on unaudited records available up to 30 November 2018 as the information as at 31 December 2018 was not available at the reporting date.

Aggregate information about the Group's investment in associates that are not individually material are as follows:

in Singapore Dollars (millions)	2018	2017
Loss after tax from continuing operations	**(1.0)**	(0.3)
Total comprehensive income	**(1.0)**	(0.3)

24 SUBSIDIARIES

in Singapore Dollars (millions)	Group 2018	Group 2017
Investment in shares, at cost	**1,175.7**	975.7
Distribution from pre-acquisition reserve	**(281.8)**	(281.8)
	893.9	693.9

Significant restrictions:

The ability of insurance subsidiaries to transfer funds to the Group in the form of cash dividends is subject to local insurance laws and regulations and solvency requirements in certain jurisdictions in which the subsidiaries operate. These requirements do not constitute a material limitation on the ability of the subsidiaries to transfer funds to the Group.

24 SUBSIDIARIES (CONTINUED)

24.1 Interest in subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that has NCI that is material to the Group.

Name of Subsidiary in Singapore Dollars (millions)	Principal place of business	Proportion of ownership interest held by NCI	Profit/(Loss) allocated to NCI during the reporting year	Acumulated NCI at the end of the reporting year	Dividends paid to NCI
31 December 2018:					
Lion Global Investors Limited	**Singapore**	**30%**	**10.9**	**72.2**	**8.4**
31 December 2017:					
Lion Global Investors Limited	Singapore	30%	12.8	72.1	7.5

Significant restrictions:

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests.

24.2 Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controllling interests are as follows:

Summarised balance sheet

	Lion Global Investors Ltd	
in Singapore Dollars (millions)	**2018**	2017
Current		
Assets	**225.6**	218.8
Liabilities	**(38.0)**	(39.8)
Net current assets	**187.6**	179.0
Non-current		
Assets	**57.2**	56.5
Net non-current assets	**57.2**	56.5
Net assets	**244.8**	235.5
Summarised statement of comprehensive income		
Revenue	**95.6**	92.7
Profit before income tax	**44.9**	51.0
Income tax expense	**(8.3)**	(8.6)
Profit after tax – continuing operations	**36.6**	42.4
Other comprehensive income	**–**	5.2
Total comprehensive income	**36.6**	47.6
Other summarised information		
Net cash flows from operations	**45.3**	44.9

24 SUBSIDIARIES (CONTINUED)

24.3 Loss of control in subsidiaries

On 24 April 2017, the Group redeemed all of its interests in LGlobal Funds – Asian Bond ("LGAB"), a sub-fund of LGlobal Funds (which is a subsidiary of GEH), for a cash consideration of $30.6 million.

The value of the assets and liabilities of LGAB recorded in the consolidated financial statements as at 24 April 2017 and the cash flow effect of the redemption were:

in Singapore Dollars (millions)	2017
Other debtors	0.5
Investments	29.1
Cash and cash equivalents	15.7
	45.3
Other creditors	(14.5)
Carrying value of net asets	30.8
Total consideration	30.6
Cash and cash equivalents of the subsidiary	(15.7)
Net cash inflow on disposal of subsidiary	14.9
Loss on disposal:	
Cash received	30.6
Net asset derecognised	(30.8)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on disposal	(0.3)
Third-party interests in consolidated investment funds reversed on disposal	(0.7)
Loss on disposal	(1.2)

25 INTERESTS IN STRUCTURED ENTITIES

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group has interests in unconsolidated structured entities as described below.

The Group holds shares or units in investment vehicles, which consist of:

- Debt securities which comprise: Mortgage-Backed-Securities (MBS), Asset Backed Securities (ABS), Collateralised Debt Obligation (CDO) and Structured Deposits (SD).
- Collective Investment Schemes which comprise: hedge funds, private equity funds, unit trusts, Real Estate Investment Trusts (REITs), Exchange Traded Funds (ETF) and Open Ended Investment Companies (OEIC).

The Group's holdings in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles.

The investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee, and is reflected in the valuation of the investment vehicles.

NOTES TO THE FINANCIAL STATEMENTS

25 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

25.1 Interests in unconsolidated structured entities

As part of its investment activities, the Group invests in unconsolidated structured entities. As at 31 December 2018, the Group's total interest in unconsolidated structured entities was $11,043.3 million (31 December 2017: $10,730.8 million) on the Group's balance sheet.

The Group does not sponsor any of the unconsolidated structured entities.

A summary of the Group's interest in unconsolidated structured entities is as follows:

in Singapore Dollars (millions)	Interest in Associates 2018	Interest in Associates 2017	Financial Investments 2018	Financial Investments 2017	Total Assets 2018	Total Assets 2017
Debt securities						
Analysed as:						
MBS	**–**	–	**174.9**	163.4	**174.9**	163.4
ABS	**–**	–	**143.0**	104.4	**143.0**	104.4
SD	**–**	–	**1,155.4**	1,100.4	**1,155.4**	1,100.4
Collective investment schemes						
Analysed as:						
Hedge funds	**–**	–	**798.3**	600.2	**798.3**	600.2
Private equity funds	**1.7**	2.2	**871.8**	850.1	**873.5**	852.3
Unit trusts	**–**	–	**2,894.6**	2,685.4	**2,894.6**	2,685.4
REITs	**–**	–	**654.8**	785.9	**654.8**	785.9
ETF	**–**	–	**718.6**	688.2	**718.6**	688.2
OEIC	**–**	–	**3,630.2**	3,750.6	**3,630.2**	3,750.6
Total	**1.7**	2.2	**11,041.6**	10,728.6	**11,043.3**	10,730.8

The Group's maximum exposure to loss on the interests presented above is the carrying amount of the Group's investments.

The Group has not provided any financial or other support to the unconsolidated structured entities as at the reporting date, and there are no intentions to provide support in the foreseeable future.

25.2 Other interests in unconsolidated structured entities

The Group receives management fees in respect of its asset management business. The Group does not sponsor any of the funds or investment vehicles from which it receives fees. Management fees received for investments that the Group manages but does not have a holding in also represent an interest in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The table below shows the assets under management of entities that the Group manages but does not have a holding in and the fees earned from those entities.

in Singapore Dollars (millions)	Assets under Management 2018	Assets under Management 2017	Investment Management Fees 2018	Investment Management Fees 2017
Collective investment schemes	**3,567.5**	3,461.9	**38.7**	34.6
Total	**3,567.5**	3,461.9	**38.7**	34.6

26 INTANGIBLE ASSETS

		Group	
in Singapore Dollars (millions)	**Note**	**2018**	2017
Goodwill	26.1	**26.9**	27.0
Club Membership	26.3	**0.5**	0.6
Carrying amount at 31 December		**27.4**	27.6

26.1 Goodwill

Cost:			
At 1 January		**38.5**	38.2
Currency translation reserve adjustment		**(0.1)**	0.3
At 31 December		**38.4**	38.5
Impairment:			
At 1 January		**(11.5)**	(6.8)
Impairment loss	7	**–**	(4.7)
At 31 December		**(11.5)**	(11.5)
Net carrying amount:			
At 1 January		**27.0**	31.4
Impairment loss	7	**–**	(4.7)
Currency translation reserve adjustment		**(0.1)**	0.3
At 31 December	26	**26.9**	27.0

The acquisition of an additional stake of 9.6% in Lion Global Investors Limited group in 2005, the acquisition of an additional 51% of the ordinary shares in Straits Eastern Square Pte Ltd ("SESPL") in 2006, the acquisition of certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad in 2011 and the acquisition of a subsidiary, Pacific Mutual Fund Berhad, in 2012 gave rise to $18.9 million, $6.8 million, $6.0 million and $6.7 million of goodwill respectively.

In accordance with SFRS(I) 1-36, the carrying value of the Group's goodwill on acquisition of subsidiaries and businesses was assessed for impairment. In respect of the acquisition of the additional interest in Lion Global Investors Limited group and Pacific Mutual Fund Berhad, goodwill is allocated for impairment testing purposes to the individual entity which is also the cash-generating unit. Goodwill arising from the acquisition of Straits Eastern Square Pte Ltd is allocated for impairment testing to the investment property held which is also the cash-generating unit. Goodwill arising from the acquisition of the business of Tahan Insurance Malaysia Berhad is allocated for impairment testing purposes to the business of Great Eastern General Insurance (Malaysia) Berhad, which is also the cash-generating unit.

26 INTANGIBLE ASSETS (CONTINUED)

26.2 Impairment test for goodwill

Subsidiary – Lion Global Investors Limited	
Carrying value of capitalised goodwill as at 31 December 2018	$18.9 million
Basis on which recoverable values are determined[(1)]	Value in use
Terminal growth rate[(2)]	2%
Discount rate[(3)]	11%

Subsidiary – Straits Eastern Square Pte Ltd	
Carrying value of capitalised goodwill as at 31 December 2018	nil
Basis on which recoverable values are determined[(4)]	Fair value of investment property held, less cost of disposal

Business acquired – Tahan Insurance Malaysia Berhad	
Carrying value of capitalised goodwill as at 31 December 2018	$6.0 million
Basis on which recoverable values are determined[(1)]	Value in use
Terminal growth rate[(2)]	5%
Discount rate[(3)]	7%

Subsidiary – Pacific Mutual Fund Berhad	
Carrying value of capitalised goodwill as at 31 December 2018	$2.0 million
Basis on which recoverable values are determined[(1)]	Value in use
Terminal growth rate[(2)]	5%
Discount rate[(3)]	12%

(1) The value-in-use calculation applies a discounted cash flow model using cash flow projections based on financial budget and forecast approved by management covering a five-year period. Cash flows beyond the fifth year are extrapolated using the terminal growth rate stated above.

(2) The terminal growth rates used do not exceed the long term average past growth rates of the industries and countries in which Lion Global Investors Limited, Pacific Mutual Fund Berhad and Great Eastern General Insurance (Malaysia) Berhad operate.

(3) The discount rate applied to the cash flow projections is pre-tax and is derived from the cost of capital plus a reasonable risk premium. This is the benchmark used by management to assess the operating performance.

(4) The fair value of investment property held is determined based on objective valuations undertaken by independent valuers. The fair value is supported by market evidence and represents the amount at which assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Valuations are performed on an annual basis. The fair value derived is categorised under Level 3 of the fair value hierarchy.

No impairment loss (2017: $2.0 million) was recognised for the financial year ended 31 December 2018 against the amounts of goodwill recorded above to write-down the carrying value to recoverable value. A reasonably possible change in key assumptions will not cause the carrying values above to materially exceed the recoverable amounts.

26.3 Club Membership

		Group	
in Singapore Dollars (millions)	**Note**	**2018**	2017
Cost:			
At 1 January		**0.6**	0.6
Amortisation		**(0.1)**	–
At 31 December	26	**0.5**	0.6

27 INVESTMENT PROPERTIES

		Group	
in Singapore Dollars (millions)	**Note**	**2018**	2017
Balance sheet:			
At 1 January		**1,553.0**	1,539.0
Additions (subsequent expenditure)		**179.1**	0.1
Net gain from fair value adjustments	5	**40.2**	9.8
Disposals/assets written off		**(0.9)**	(0.7)
Reclassification from property, plant and equipment	28	**0.6**	–
Currency translation reserve adjustment		**(0.7)**	4.8
At 31 December		**1,771.3**	1,553.0
Profit and Loss Statement:			
Rental income from investment properties:			
– Minimum lease payments		**40.8**	34.1
Direct operating expenses (including repairs and maintenance) arising from:			
– Rental generating properties		**(16.0)**	(13.6)
– Non-rental generating properties		**(0.1)**	(0.1)
		(16.1)	(13.7)

Investment properties collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life insurance business.

Investment properties are stated at fair value, which has been determined based on objective valuation undertaken by independent valuers as at the balance sheet date. Valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued.

28 PROPERTY, PLANT AND EQUIPMENT

		Group						
in Singapore Dollars (millions)	Note	Freehold Land[(1)]	Leasehold Land[(1)]	Capital Works in Progress	Buildings[(1)]	Computer Equipment and Software Development Costs	Other Assets[(2)]	Total
Cost								
At 1 January 2017		64.2	37.9	9.3	596.3	429.4	112.3	1,249.4
Additions		–	–	1.9	11.3	41.8	3.8	58.8
Disposals/assets written off		–	–	–	–	(59.8)	(38.2)	(98.0)
Reclassification		–	–	(7.0)	–	–	7.0	–
Reclassification to assets held for sale	22	(3.2)	–	–	(0.7)	–	–	(3.9)
Currency translation reserve adjustment		0.2	0.1	0.1	3.0	4.1	1.3	8.8
At 31 December 2017 and 1 January 2018		61.2	38.0	4.3	609.9	415.5	86.2	1,215.1
Additions		**–**	**–**	**6.3**	**–**	**46.8**	**4.7**	**57.8**
Disposals/assets written off		**–**	**–**	**–**	**(0.5)**	**(10.2)**	**(2.7)**	**(13.4)**
Reclassification		**–**	**–**	**(1.2)**	**0.2**	**–**	**1.0**	**–**
Reclassification to investment properties	27	**(0.6)**	**–**	**–**	**–**	**–**	**–**	**(0.6)**
Currency translation reserve adjustment		**–**	**–**	**–**	**(0.4)**	**(0.8)**	**(0.1)**	**(1.3)**
At 31 December 2018		**60.6**	**38.0**	**9.4**	**609.2**	**451.3**	**89.1**	**1,257.6**
Accumulated Depreciation and Impairment Loss								
At 1 January 2017		(1.4)	(2.1)	–	(241.8)	(311.1)	(87.6)	(644.0)
Depreciation charge for the year	7	–	–	–	(12.0)	(52.5)	(6.2)	(70.7)
Disposals/assets written off		–	–	–	–	59.2	38.2	97.4
Increase in provision for impairment	7	–	–	–	(0.3)	–	–	(0.3)
Currency translation reserve adjustment		–	–	–	(1.1)	(3.8)	(1.2)	(6.1)
At 31 December 2017 and 1 January 2018		(1.4)	(2.1)	–	(255.2)	(308.2)	(56.8)	(623.7)
Depreciation charge for the year	7	**–**	**–**	**–**	**(12.3)**	**(37.9)**	**(6.5)**	**(56.7)**
Disposals/assets written off		**–**	**–**	**–**	**0.5**	**10.1**	**2.4**	**13.0**
Currency translation reserve adjustment		**–**	**–**	**–**	**0.2**	**0.6**	**0.1**	**0.9**
At 31 December 2018		**(1.4)**	**(2.1)**	**–**	**(266.8)**	**(335.4)**	**(60.8)**	**(666.5)**
Net Book Value								
At 31 December 2017		59.8	35.9	4.3	354.7	107.3	29.4	591.4
At 31 December 2018		**59.2**	**35.9**	**9.4**	**342.4**	**115.9**	**28.3**	**591.1**

As at year end, the Company held other assets with a net book value of $0.1 million (31 December 2017: other assets with a net book value of $0.3 million). Depreciation for the year on computer equipment was $0.1 million (31 December 2017: $0.1 million).

(1) If the freehold land, leasehold land and buildings were measured using market value, the carrying amount would be as follows:

	Group	
in Singapore Dollars (millions)	2018	2017
Freehold land, Leasehold land and Buildings	**818.1**	799.8

(2) Other assets include motor vehicles, office furniture, fittings and equipment.

29 EXECUTIVES' SHARE OPTION SCHEME

29.1 OCBC Share Option Scheme

In April 2005, the GEH Optionholders were nominated to participate in the OCBC Bank Share Option Scheme (2001) ("OCBC Option Scheme"). The acquisition price of the options granted is equal to the average of the last dealt price of the ordinary shares of OCBC Bank over five consecutive trading days immediately prior to the date of the grant. The options vest in one-third increments over a period of three years, and are exercisable after the first anniversary of the date of grant up to the date of expiration of the options. The share options have a validity period of 10 years from date of grant.

The fair value of the share options is recognised by the GEH Group as staff costs in the Profit and Loss Statement. The Group uses the binomial model to derive the fair value of share options granted by OCBC Bank. The value of the share options is recognised in the Profit and Loss Statement over the vesting period of the share options. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable, and the impact of the change to the original estimates, if any, is recognised in the Profit and Loss Statement.

At the Extraordinary General Meeting of OCBC Bank held on 19 April 2007, certain alterations proposed by OCBC Bank's Remuneration Committee to OCBC Option Scheme were approved by its shareholders. These alterations enable option holders to select one of the following alternatives when exercising their options:

(i) All share election - an election to receive in full the number of ordinary shares upon full payment of the aggregate acquisition cost in respect of options exercised;
(ii) Partial share election - an election to receive ordinary shares representing the notional profit which would have been derived if the ordinary shares in respect of the options exercised had been sold; or
(iii) Cash election - an election to receive in cash the profit derived from the sale of OCBC Bank's share in respect of the options exercised.

In March 2018, OCBC Bank granted 539,575 options (2017:1,062,754) to GEH Optionholders to acquire ordinary shares in OCBC Bank ("OCBC shares") pursuant to 2001 scheme, of which no options were granted to a director of the Company (2017: nil). The fair value of share options granted during the year ended 31 December 2018, determined using the binomial valuation model, was $1.3 million (2017: $0.8 million). Significant inputs that were used to determine the fair value of options granted are set out below.

	2018	2017
Acquisition price ($)	**13.34**	9.60
Share price ($)	**13.73**	9.64
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	**17.29**	14.73
Risk-free rate based on SGS bond yield at acceptance date (%)	**2.54**	2.11
Expected dividend yield (%)	**2.62**	4.27
Exercise multiple (times)	**1.52**	1.74
Option life (years)	**10**	10

29 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

29.1 OCBC Share Option Scheme (continued)

Information with respect to the number of options granted under the OCBC Option Scheme to GEH Optionholders is as follows:

	2018		2017	
	Number of Options	**Average Price**	Number of Options	Average Price
Number of shares comprised in options:				
At beginning of year	**4,090,658**	**$9.392**	4,993,252	$9.268
Granted during the year	**539,575**	**$13.340**	1,062,754	$9.598
Lapsed during the year	**(133,688)**	**$9.722**	(166,631)	$9.681
Exercised during the year	**(516,870)**	**$9.397**	(1,798,717)	$9.142
Outstanding at end of year	**3,979,675**	**$9.916**	4,090,658	$9.392
Exercisable at end of year	**2,661,562**	**$9.366**	2,612,024	$9.329
Average share price underlying the options exercised during the financial year		**$12.956**		$10.712

Details of the options outstanding as at 31 December 2018 are as follows:

Grant Year	Grant Date	Exercise Period	Acquisition Price	**2018** Outstanding	**2018** Exercisable
2009	16.03.2009	17.03.2010 – 15.03.2019	$4.138	**30,344**	**30,344**
2010	15.03.2010	16.03.2011 – 14.03.2020	$8.762	**83,880**	**83,880**
2011	14.03.2011	15.03.2012 – 13.03.2021	$9.350	**149,102**	**149,102**
2012	14.03.2012	15.03.2013 – 13.03.2022	$8.798	**323,506**	**323,506**
2013	14.03.2013	15.03.2014 – 13.03.2023	$10.302	**747,491**	**747,491**
2014	14.03.2014	15.03.2015 – 13.03.2024	$9.428	**679,877**	**679,877**
2015	16.03.2015	16.03.2016 – 15.03.2025	$10.378	**204,384**	**204,384**
2016	16.03.2016	16.03.2017 – 15.03.2026	$8.814	**292,224**	**163,443**
2017	23.03.2017	23.03.2018 – 22.03.2027	$9.598	**938,611**	**279,535**
2018	22.03.2018	22.03.2019 – 21.03.2028	$13.340	**530,256**	**–**
				3,979,675	**2,661,562**

The carrying amount of the liability recognised on the Group's balance sheet related to the above equity-settled options at 31 December 2018 is $5.1 million (31 December 2017: $2.4 million).

As at 31 December 2018, the weighted average remaining contractual life of outstanding options was 6.1 years (2017: 6.5 years). There were no outstanding options held by directors of the Company as at 31 December 2018 (2017: nil).

29 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

29.2 OCBC Deferred Share Plan ("DSP")

The DSP is a share-based plan implemented in 2003 and administered by the OCBC Remuneration Committee. The DSP is a discretionary share-based incentive and retention award program extended to executives of OCBC's subsidiaries at the discretion of the Remuneration Committee. The awards are granted at no cost to the grantees, on a deferred basis as part of their performance bonus. Such awards shall lapse by reason of cessation of service but may be preserved at the discretion of the Remuneration Committee. The DSP does not involve the issue of new shares. Instead, existing shares will be purchased from the market for release to the grantees at the end of the respective vesting periods.

During the financial year, 330,110 (2017: 406,199) OCBC ordinary shares were granted to eligible executives of GEH Group under the DSP, of which none (2017: nil) were granted to a director of the Company. The fair value of the shares at grant date was $4.4 million (2017: $3.9 million). In addition, 16,379 OCBC shares (of which none were granted to directors of the Company) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2017 (2017: 16,173 OCBC shares (of which none were granted to directors of the Company) awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2016).

29.3 OCBC Employee Share Purchase Plan ("ESP")

All employees of OCBC Bank and their subsidiaries who have attained the age of 21 years and have been employees for a period of not less than six months are eligible to participate in the ESP Plan unless they are also controlling shareholders of the Bank or their associates. The purpose of the ESP Plan is to provide employees with an opportunity to increase their personal equity interest in the Bank. The Bank will either issue new shares or transfer treasury shares to employees upon the exercise or conversion of acquisition rights. The ESP Plan is administered by the OCBC Bank Remuneration Committee.

The acquisition price is equal to the average of the last traded price of the ordinary shares of OCBC Bank on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the price fixing date for the acquisition price of the ordinary shares (as determined by the OCBC Bank Remuneration Committee).

A participant may participate in the ESP Plan for an offering period by making contributions in cash by means of monthly deductions from his monthly base salary and/or his designated account; and/or by monthly debits from his CPF Ordinary Account to his ESP Plan account.

29 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

29.3 OCBC Employee Share Purchase Plan ("ESP") (continued)

In June 2018, the thirteenth offering of the ESP Plan was launched for employees to acquire the shares of OCBC Bank at $11.60 per share. The plan commenced on 1 July 2018 and will expire on 30 June 2020. Under the offering, OCBC Bank granted 972,298 (2017: 962,982) rights to acquire ordinary shares in the Bank. The fair value of the rights, determined using the binomial valuation model was $1.5 million (2017: $0.7 million). Significant inputs to the valuation model are set out below.

	2018	2017
Acquisition price ($)	**11.60**	10.77
Share price ($)	**12.13**	10.72
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	**18.45**	13.06
Risk-free rate based on 2-year swap rate (%)	**1.96**	1.26
Expected dividend yield (%)	**2.97**	3.36

A summary of the movement in the number of acquisition rights of the ESP Plan issued to GEH Group's employees is as follows:

	2018		2017	
	Number of Subscription Rights	**Weighted Average Subscription Price**	Number of Subscription Rights	Weighted Average Subscription Price
At 1 January	**1,771,508**	**$9.644**	1,789,736	$9.115
Subscriptions on commencement of plan	**972,298**	**$11.600**	962,982	$10.770
Exercised	**(887,101)**	**$8.601**	(722,310)	$9.806
Lapsed/Forfeited	**(228,738)**	**$10.775**	(258,900)	$9.726
At 31 December	**1,627,967**	**$11.221**	1,771,508	$9.644
Average share price underlying acquisition rights exercised during the financial year		**$11.568**		$10.992

As at 31 December 2018, the weighted average remaining contractual life of outstanding acquisition rights was 1.0 year (2017: 1.0 year). No director of GEH Group has acquisition rights under the ESP Plan (2017: nil).

30 COMMITMENTS AND CONTINGENCIES

30.1 Capital commitments

in Singapore Dollars (millions)	Group 2018	2017
Commitments for capital expenditure not provided for in the financial statements:		
– investment properties	**33.7**	171.2
– property, plant and equipment	**61.6**	25.8
	95.3	197.0

30.2 Operating lease commitments

The Group has entered into commercial property leases on its property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum lease payments receivable under non-cancellable operating leases are as follows as of 31 December:

in Singapore Dollars (millions)	Group 2018	2017
Within one year	**40.6**	41.4
After one year but not more than five years	**19.3**	26.4
	59.9	67.8

The Group has entered into operating lease agreements for computer equipment and office rental. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 4 years. Operating lease payments recognised in the consolidated Profit and Loss Statement during the year amounted to $0.5 million (2017: $0.3 million).

Future minimum lease payments payable under non-cancellable operating leases contracted for as at 31 December but not recognised as liabilities, are payable as follows:

Within one year	**10.9**	8.0
After one year but not more than five years	**51.8**	10.2
	62.7	18.2

30.3 Contribution to the B40 National Protection Scheme

On 9 November 2018, the Group announced that its subsidiary, Great Eastern Life Assurance (Malaysia) Berhad ("GELM") will make a contribution of RM2.0 billion (approximately S$659.6 million) to the B40 Health Protection Fund (subsequently known as the National B40 Protection Trust Fund) as part of its corporate social responsibility efforts and in satisfaction of the local shareholding requirements applicable to insurance companies in Malaysia.

30.4 Acquisition of PT QBE General Insurance Indonesia by Great Eastern General Insurance Limited

On 10 December 2018, the Group's subsidiary, Great Eastern General Insurance Limited ("GEG"), entered into a share purchase agreement to acquire shares in PT QBE General Insurance Indonesia ("QBE Indonesia") for a consideration of USD 28.0 million (approximately S$38.4 million). The completion of the transaction is currently subject to regulatory and other relevant approvals and is expected to be completed in the first half of 2019. On completion of the transaction, PT Suryasono Sentosa ("PTSS"), a company registered in Indonesia, will simultaneously acquire 5% of the shares in QBE Indonesia to satisfy local shareholding requirements.

30 COMMITMENTS AND CONTINGENCIES (CONTINUED)

30.5 Agreement to transfer of ElderShield policies

On 7 January 2019, the Ministry of Health ("MOH") of Singapore issued a press release regarding the agreement with the Eldershield insurers for the Singapore Government to take over administration of the ElderShield scheme in 2021. The Great Eastern Life Assurance Company Limited ("GEL"), a wholly-owned subsidiary of GEH, has entered into a binding agreement with MOH in respect of the transfer of the ElderShield 300 and/or ElderShield 400 basic policies currently managed by GEL under the existing ElderShield scheme, to MOH ("the Transfer").

The Group does not expect a material impact on the financial statement for the financial year ended 31 December 2018 and the financial year ending 31 December 2019.

31 RELATED PARTY TRANSACTIONS

The Group enters into transactions with its related parties in the normal course of business. Transactions are carried out on an arm's length basis.

31.1 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
in Singapore Dollars (millions)	**2018**	2017	**2018**	2017
Management and performance fees paid by insurance funds to subsidiaries	**67.1**	72.9	**–**	–
Fees and commission and other income received from:				
– holding company	**6.2**	8.6	**–**	–
– related parties of the holding company	**14.3**	12.3	**–**	–
Premiums received from key management personnel	**2.4**	5.0	**–**	–
Fees and commission expense paid to:				
– holding company	**148.7**	165.6	**–**	–
– related parties of the holding company	**62.6**	57.1	**–**	–
Interest income received from:				
– holding company	**3.4**	2.2	**–**	0.1
– related parties of the holding company	**28.2**	22.5	**–**	–
Rental income received from:				
– related parties of the holding company	**0.3**	0.3	**–**	–
Other expenses paid to:				
– holding company	**7.8**	7.6	**–**	–
– related parties of the holding company	**14.8**	13.4	**–**	–

31 RELATED PARTY TRANSACTIONS (CONTINUED)

31.2 Balance sheet balances with related parties

Balance sheet balances with related parties as at 31 December are as follows:

	Group		Company	
in Singapore Dollars (millions)	**2018**	2017	**2018**	2017
Cash and cash equivalents held with:				
– holding company	**619.9**	583.0	**14.0**	14.1
– related parties of the holding company	**817.6**	462.1	**–**	–
Cash collateral held with:				
– holding company	**92.6**	135.4	**–**	–
Amount due to/(from) holding company	**4.8**	2.3	**–**	–
Investments in debt securities of:				
– related parties of the holding company	**252.4**	276.6	**–**	–
Derivative financial assets held with:				
– holding company	**147.7**	123.2	**–**	–
Derivative financial liabilities held with:				
– holding company	**162.2**	205.1	**–**	–

Outstanding balances at balance sheet date are unsecured and interest free. Settlement will take place in cash.

There was no provision for doubtful debts at the balance sheet date and no bad debt expense for the year (2017: nil).

31.3 Compensation of key management personnel

	Group		Company	
in Singapore Dollars (millions)	**2018**	2017	**2018**	2017
Short-term employee benefits	**21.8**	23.5	**1.8**	1.7
Other long-term benefits	**0.8**	0.6	**–**	–
Central Provident Fund/Employee Provident Fund	**1.3**	1.3	**–**	–
Share-based payments	**5.3**	3.4	**–**	–
	29.2	28.8	**1.8**	1.7
Comprise amounts paid to:				
Directors of the Company	**3.0**	2.4	**1.8**	1.7
Other key management personnel	**26.2**	26.4	**–**	–
	29.2	28.8	**1.8**	1.7

32 SEGMENTAL INFORMATION

Business Segments

For management purposes, the Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products for the different markets. The Group's principal operations are organised into the Life Insurance, Non-life Insurance and Shareholders segments. The results of these segments are reported separately in internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

a. Life Insurance Segment

The Life Insurance segment provides different types of products, comprising life insurance, long-term health and accident insurance, annuity business written and includes the unit-linked business. All revenues in the Life Insurance segment are from external customers.

b. Non-life Insurance Segment

Under the Non-life Insurance business, the Group issues short term property and casualty contracts which protect the policyholder against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contract and/or business interruption contract; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contract. The Group also issues short term medical and personal accident non-life insurance contracts.

c. Shareholders Segment

The Shareholders segment provides fund management services for absolute return/balanced mandates with different risk-return characteristics and manages a range of products, including Asia Pacific equities, Asian and global fixed income securities portfolios. Clients include Singapore statutory boards, government-linked corporations, public and private companies, insurance companies and charity organisations.

The Shareholders segment also comprises activities not related to the core business segments, and includes general corporate income and expense items.

Geographical Segments

The Group's risks and rewards are affected by operating conditions in different countries and geographical areas. Therefore, for management purposes, the Group is also organised on a geographical basis into Singapore, Malaysia and Other Asia, based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the respective location of its customers.

Segment Accounting Policies, Allocation Basis and Transfer Pricing

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, interest-bearing loans and related expenses. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to an unrelated third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

32 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments

	Group									
in Singapore Dollars (millions)	Shareholders		Non-life Insurance		Life Insurance		Adjustments and Eliminations[1]		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Net premiums	**–**	–	**176.1**	153.9	**11,673.5**	12,117.3	**(0.9)**	(0.8)	**11,848.7**	12,270.4
Commissions received from reinsurers	**–**	–	**27.6**	23.6	**44.0**	31.9	**–**	–	**71.6**	55.5
Investment income, net	**186.4**	153.6	**15.7**	13.7	**2,410.5**	2,054.3	**11.7**	3.4	**2,624.3**	2,225.0
Rental income, net	**–**	–	**–**	–	**54.5**	56.8	**(0.9)**	(1.4)	**53.6**	55.4
Fees and other income	**89.2**	88.5	**–**	–	**–**	–	**(11.7)**	(11.4)	**77.5**	77.1
(Loss)/gain on sale of investments and changes in fair value	**(118.5)**	329.6	**1.7**	6.0	**(2,514.0)**	2,851.5	**–**	–	**(2,630.8)**	3,187.1
Change in third-party interests in consolidated investment funds	**10.9**	(30.5)	**–**	–	**–**	–	**–**	7.9	**10.9**	(22.6)
Loss on disposal of interest in associate	**–**	(1.8)	**–**	–	**–**	(8.1)	**–**	–	**–**	(9.9)
Loss on disposal of subsidiary	**–**	(1.2)	**–**	–	**–**	–	**–**	–	**–**	(1.2)
Gain/(loss) on exchange differences	**2.4**	(9.2)	**0.7**	(3.2)	**36.1**	(640.1)	**–**	–	**39.2**	(652.5)
Total income	**170.4**	529.0	**221.8**	194.0	**11,704.6**	16,463.6	**(1.8)**	(2.3)	**12,095.0**	17,184.3
Gross claims, surrenders and annuities	**–**	–	**139.7**	148.6	**6,430.5**	5,468.4	**–**	–	**6,570.2**	5,617.0
Claims, surrenders and annuities recovered from reinsurers	**–**	–	**(53.1)**	(71.0)	**(164.9)**	(129.1)	**–**	–	**(218.0)**	(200.1)
Commissions and agency expenses	**3.4**	–	**51.5**	44.7	**957.1**	893.0	**–**	–	**1,012.0**	937.7
(Decrease)/increase in provision for impairment of assets	**(2.1)**	15.8	**(0.5)**	0.9	**(37.8)**	235.2	**–**	–	**(40.4)**	251.9
Management and other expenses	**53.2**	97.0	**53.5**	45.8	**426.6**	423.0	**(1.8)**	(2.3)	**531.5**	563.5
Interest expense	**18.3**	18.3	**–**	–	**–**	–	**–**	–	**18.3**	18.3
Agents' retirement benefits	**–**	–	**–**	–	**27.8**	37.9	**–**	–	**27.8**	37.9
Depreciation	**3.4**	2.1	**2.6**	2.4	**50.7**	66.2	**–**	–	**56.7**	70.7
Change in insurance contract liabilities	**–**	–	**4.8**	(6.1)	**3,183.4**	8,216.2	**–**	–	**3,188.2**	8,210.1
Tax attributable to policyholders' returns	**–**	–	**–**	–	**40.1**	410.6	**–**	–	**40.1**	410.6
Total expenses	**76.2**	133.2	**198.5**	165.3	**10,913.5**	15,621.4	**(1.8)**	(2.3)	**11,186.4**	15,917.6
Profit before share of loss of associates	**94.2**	395.8	**23.3**	28.7	**791.1**	842.2	**–**	–	**908.6**	1,266.7
Share of loss after income tax of associates	**–**	–	**–**	–	**(0.5)**	(0.5)	**–**	–	**(0.5)**	(0.5)
Profit before income tax	**94.2**	395.8	**23.3**	28.7	**790.6**	841.7	**–**	–	**908.1**	1,266.2
Income tax	**(17.2)**	(61.6)	**(4.6)**	(6.1)	**(136.3)**	(150.9)	**–**	–	**(158.1)**	(218.6)
Profit after income tax	**77.0**	334.2	**18.7**	22.6	**654.3**	690.8	**–**	–	**750.0**	1,047.6

[1] Inter-segment income and expenses comprising mainly dividend and management fee income are eliminated on consolidation.

32 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

	Group									
in Singapore Dollars (millions)	Shareholders		Non-life Insurance		Life Insurance		Adjustments and Eliminations[1]		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Other material items:										
Interest income	**84.8**	96.3	**16.3**	13.9	**1,944.1**	1,692.7	**–**	–	**2,045.2**	1,802.9
Staff costs and related expenses (including executive directors and key management personnel compensation)	**18.7**	64.2	**31.8**	29.6	**257.4**	266.2	**(0.7)**	(0.4)	**307.2**	359.6
Rental expense	**2.6**	2.5	**2.6**	2.9	**18.9**	19.4	**(0.9)**	(1.4)	**23.2**	23.4
Interest expense	**18.3**	18.3	**–**	–	**–**	–	**–**	–	**18.3**	18.3
Interest expense on policy benefits	**–**	–	**–**	–	**173.4**	152.1	**–**	–	**173.4**	152.1
Non-cash items:										
Depreciation	**3.4**	2.1	**2.6**	2.4	**50.7**	66.2	**–**	–	**56.7**	70.7
(Decrease)/increase in provision for impairment of assets	**(2.1)**	15.8	**(0.5)**	0.9	**(37.8)**	235.2	**–**	–	**(40.4)**	251.9
Changes in fair value of investments:										
– through Profit and Loss Statement	**(117.0)**	28.4	**(0.5)**	2.2	**(2,549.5)**	1,692.9	**–**	–	**(2,667.0)**	1,723.5
– through equity	**(335.1)**	342.9	**(2.0)**	1.5	**(266.8)**	371.4	**–**	–	**(603.9)**	715.8

	Group									
in Singapore Dollars (millions)	Shareholders		Non-life Insurance		Life Insurance		Adjustments and Eliminations[1]		Consolidated	
	31 Dec 18	31 Dec 17	**31 Dec 18**	31 Dec 17	**31 Dec 18**	31 Dec 17	**31 Dec 18**	31 Dec 17	**31 Dec 18**	31 Dec 17
Assets and liabilities:										
Segment assets	**8,257.7**	8,774.2	**618.2**	434.3	**78,695.7**	75,350.9	**(2,531.3)**	(2,214.3)	**85,040.3**	82,345.1
Investments in associates	**–**	–	**–**	–	**1.7**	2.2	**–**	–	**1.7**	2.2
Total assets	**8,257.7**	8,774.2	**618.2**	434.3	**78,697.4**	75,353.1	**(2,531.3)**	(2,214.3)	**85,042.0**	82,347.3
Segment liabilities	**494.6**	834.9	**613.9**	429.5	**77,303.5**	73,767.5	**(2,531.3)**	(2,214.3)	**75,880.7**	72,817.6
Income tax and deferred tax liabilities	**238.3**	314.2	**3.5**	3.1	**1,398.0**	1,597.6	**–**	–	**1,639.8**	1,914.9
Total liabilities	**732.9**	1,149.1	**617.4**	432.6	**78,701.5**	75,365.1	**(2,531.3)**	(2,214.3)	**77,520.5**	74,732.5
Other segment information:										
Additions to non-current assets										
– property, plant and equipment	**12.1**	3.5	**2.1**	4.6	**43.6**	50.7	**–**	–	**57.8**	58.8
– investment properties	**–**	–	**–**	–	**179.1**	0.1	**–**	–	**179.1**	0.1

[1] Inter-segment income and expenses comprising mainly dividend and management fee income are eliminated on consolidation.

32 SEGMENTAL INFORMATION (CONTINUED)

(2) By Geographical Segments

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Adjustments and Eliminations		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Total revenue from external customers	**8,709.4**	12,820.7	**3,195.1**	4,183.4	**192.4**	183.1	**(1.9)**	(2.9)	**12,095.0**	17,184.3
Dividend from subsidiaries	**187.0**	147.5	**–**	–	**–**	–	**(187.0)**	(147.5)	**–**	–
Total revenue	**8,896.4**	12,968.2	**3,195.1**	4,183.4	**192.4**	183.1	**(188.9)**	(150.4)	**12,095.0**	17,184.3
Profit/(loss) after income tax	**606.9**	941.2	**306.2**	259.0	**22.6**	(3.8)	**(185.7)**	(148.8)	**750.0**	1,047.6
As at 31 December:										
Non-current assets	**1,828.9**	1,789.9	**554.9**	375.8	**6.0**	6.3	**–**	–	**2,389.8**	2,172.0

Non-current assets information presented above consist of intangible assets, investment properties and property, plant and equipment as presented in the consolidated balance sheet.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance framework

Managing risk is an integral part of the Group's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Group shall:

– Operate within parameters and limits that have been set based on the risk appetite approved by the Board; and
– Pursue appropriate risk-adjusted returns.

Group Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

The Board is responsible to provide oversight on the risk management initiatives. The Board may delegate this responsibility to the Risk Management Committee ("RMC"). At the group level, detailed risk management and oversight activities are undertaken by the following group management committees chaired by the Group Chief Executive Officer and comprising key Senior Management Executives:

– Group Management Committee ("GMC")
– Group Asset-Liability Committee ("Group ALC")
– Group Investment Committee ("Group IC")
– Group Product Management and Approval Committee ("Group PMAC")
– Group Information Technology Steering Committee ("Group ITSC")

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Governance framework (continued)

GMC is responsible for providing leadership, direction and functional oversight with regards to all matters of the Group. The GMC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMC is supported by the local Senior Management Team ("SMT") and local Product Development Committee ("PDC").

Group IC is responsible for the oversight of all investment management activities of the company with added oversight to ensure that for the insurance funds, the interests and rights of policyholders are not compromised.

Group ALC is responsible for balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodologies relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

Group ITSC is responsible for the management of technology and information risks, and any relevant regulatory and compliance risks relating to technology and cyber security risks.

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite to deliver the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

Regulatory framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors ("Board"). The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

GEH's capital management policy objectives are to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

The Group had no significant changes in the policies and processes relating to its capital structure during the year.

<u>Regulatory Capital</u>

The insurance subsidiaries of the Group are required to comply with capital ratios prescribed by the Insurance Regulations of the jurisdiction in which they operate. The Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remained well above the regulatory minimum ratios under the Risk based Capital Frameworks established by the Monetary Authority of Singapore and Bank Negara, Malaysia respectively.

The Group's approach to capital management aims to maintain an adequate level of capital to meet regulatory requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary sources of capital of the Group are shareholders' equity and issued subordinated debt. The Group defines available capital as the amount of assets in excess of liabilities measured in accordance with the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2018 amounted to $11.5 billion (31 December 2017: $11.8 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2018 amounted to $8.0 billion (31 December 2017: $8.2 billion).

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

The following sections provide details regarding the Group's and Company's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance Risk

The principal activity of the Group is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident) and property and casualty, and meet customer needs in investment and retirement provision.

The Group's underwriting strategy is designed to ensure that risks are well diversified across the types of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in the Group's activities include but are not limited to the following:

Insurance Risks of Life Insurance Contracts

Insurance risks arise when the Group underwrites insurance contracts. While insurance risks do not vary significantly across the geographical locations in which the Group currently operates, the types of risks insured, assumptions used in pricing the insurance products as well as subsequent setting of the technical provisions may give rise to potential shortfalls in provision for future claims and expenses when actual experience is different from expected experience. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

The Group utilises reinsurance to manage the mortality and morbidity risks. The Group's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses. The Group's exposure to group insurance business is not significant, and there is no material concentration risk.

In general, reinsurers must have a minimum credit rating of S&P A- or equivalent to be considered for reinsurance business. The Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of the Group's life insurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform below expectations, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for the Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment scenarios, expense patterns, mortality/morbidity patterns and lapse rates.

TABLE 33(A): The table below sets out the distribution of the various categories of the life insurance risk as at the balance sheet date, net of reinsurance:

	Life Insurance	
in Singapore Dollars (millions)	**As at 31 December 2018 Insurance liabilities**	As at 31 December 2017 Insurance liabilities
(i) by Class of business:		
Whole life	**36,350.0**	35,136.1
Endowment	**25,367.5**	23,171.8
Term	**452.5**	431.5
Accident and health	**1,803.7**	1,750.5
Annuity	**520.1**	535.4
Others	**1,099.1**	1,204.7
Total	**65,592.9**	62,230.0
(ii) by Country:		
Singapore	**45,583.7**	42,745.3
Malaysia	**19,384.5**	18,936.0
Others	**624.7**	548.7
Total	**65,592.9**	62,230.0

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the profit and loss statement and shareholders' equity.

Sensitivity analysis produced are based on parameters set out as follows:

		Change in assumptions
(a)	Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b)	Scenario 2 – Mortality and Major Illness	– 25% for all future years
(c)	Scenario 3 – Health and Disability	+ 25% for all future years
(d)	Scenario 4 – Health and Disability	– 25% for all future years
(e)	Scenario 5 – Lapse and Surrender rates	+ 25% for all future years
(f)	Scenario 6 – Lapse and Surrender rates	– 25% for all future years
(g)	Scenario 7 - Expenses	+ 30% for all future years

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

TABLE 33(B1): Profit/(Loss) After Tax and Shareholders' Equity sensitivity for the Singapore segment:

Impact on 1-year's profit/(loss) after tax and Shareholders' Equity

in Singapore Dollars (millions)	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**	**Scenario 6**	**Scenario 7**
2018							
Gross impact	**(100.3)**	**23.1**	**34.7**	**(77.1)**	**55.9**	**(65.4)**	**(26.0)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(100.3)**	**23.1**	**34.7**	**(77.1)**	**55.9**	**(65.4)**	**(26.0)**
2017							
Gross impact	(90.9)	8.8	38.6	(82.6)	57.4	(68.7)	(25.9)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(90.9)	8.8	38.6	(82.6)	57.4	(68.7)	(25.9)

TABLE 33(B2): Profit/(Loss) After Tax and Shareholders' Equity sensitivity for the Malaysia segment:

Impact on 1-year's profit/(loss) after tax and Shareholders' Equity

in Singapore Dollars (millions)	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**	**Scenario 6**	**Scenario 7**
2018							
Gross impact	**(76.9)**	**67.2**	**(15.3)**	**11.9**	**(4.4)**	**6.1**	**(24.8)**
Reinsurance ceded	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net impact	**(76.9)**	**67.2**	**(15.3)**	**11.9**	**(4.4)**	**6.1**	**(24.8)**
2017							
Gross impact	(80.4)	67.8	(15.0)	12.0	(5.1)	6.9	(19.7)
Reinsurance ceded	–	–	–	–	–	–	–
Net impact	(80.4)	67.8	(15.0)	12.0	(5.1)	6.9	(19.7)

The above tables demonstrate the sensitivity of the Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

The method used, including the significant assumptions made, for performing the above sensitivity analysis did not change from the previous year.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

Insurance Risks of Non-Life Insurance Contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Note 15 of the financial statements. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

TABLE 33(C1): The table below sets out the distribution of the various categories of the non-life insurance risk as at the balance sheet date:

(i) by Class of business:

	Non-life Insurance Contracts					
	As at 31 December 2018			As at 31 December 2017		
in Singapore Dollars (millions)	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Fire	19.1	(6.3)	12.8	19.3	(7.3)	12.0
Motor	34.8	(2.3)	32.5	29.9	–	29.9
Marine & aviation	3.0	(2.6)	0.4	5.9	(5.0)	0.9
Workmen's compensation	16.4	(4.3)	12.1	12.7	(3.7)	9.0
Personal accident & health	24.0	(1.7)	22.3	19.0	0.8	19.8
Miscellaneous	49.5	(33.9)	15.6	42.5	(29.6)	12.9
Total	146.8	(51.1)	95.7	129.3	(44.8)	84.5

in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Fire	28.8	(19.1)	9.7	28.5	(20.3)	8.2
Motor	55.0	(4.6)	50.4	56.4	(3.5)	52.9
Marine & aviation	25.1	(21.8)	3.3	23.0	(19.6)	3.4
Workmen's compensation	26.0	(9.1)	16.9	25.5	(9.3)	16.2
Personal accident & health	17.6	(2.1)	15.5	13.7	(0.9)	12.8
Miscellaneous	84.2	(63.7)	20.5	84.9	(66.8)	18.1
Total	236.7	(120.4)	116.3	232.0	(120.4)	111.6

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

Insurance Risks of Non-Life Insurance Contracts (continued)

TABLE 33(C1): The table below sets out the distribution of the various categories of the non-life insurance risk as at the balance sheet date (continued):

(ii) by Country:

	Non-life Insurance Contracts					
	As at 31 December 2018			As at 31 December 2017		
in Singapore Dollars (millions)	**Gross premium liabilities**	**Reinsured premium liabilities**	**Net premium liabilities**	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Singapore	**77.6**	**(34.7)**	**42.9**	65.1	(29.4)	35.7
Malaysia	**69.2**	**(16.4)**	**52.8**	64.2	(15.4)	48.8
Total	**146.8**	**(51.1)**	**95.7**	129.3	(44.8)	84.5

in Singapore Dollars (millions)	**Gross claims liabilities**	**Reinsured claims liabilities**	**Net claims liabilities**	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Singapore	**123.1**	**(73.5)**	**49.6**	110.0	(61.7)	48.3
Malaysia	**113.6**	**(46.9)**	**66.7**	122.0	(58.7)	63.3
Total	**236.7**	**(120.4)**	**116.3**	232.0	(120.4)	111.6

Key Assumptions

Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by achieving diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, thorough claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are put in place to reduce the risk exposure of the Group. The Group further enforces a policy of active management and prompt pursuit of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

Key Assumptions

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

in Singapore Dollars (millions)	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
As at 31 December 2018					
Provision for adverse deviation margin	**+20%**	**5.6**	**2.5**	**(2.5)**	**(2.0)**
Loss ratio[1]	**+20%**	**88.2**	**55.5**	**(55.5)**	**(43.4)**
Claim handling expenses	**+20%**	**1.7**	**1.6**	**(1.6)**	**(1.2)**
As at 31 December 2017					
Provision for adverse deviation margin	+20%	5.1	2.6	(2.6)	(2.0)
Loss ratio[1]	+20%	85.2	49.6	(49.6)	(38.7)
Claim handling expenses	+20%	1.3	1.0	(1.0)	(0.8)

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

[1] Best estimate reserves and current accident year payments.

TABLE 33(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

Gross non-life insurance contract liabilities for 2018:

in Singapore Dollars (millions)	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims									
Accident Year	112.0	93.4	137.7	126.9	166.3	178.2	169.4	163.4	
One year later	112.7	99.6	130.7	118.9	162.2	178.2	166.1	–	
Two years later	96.1	97.0	117.4	115.8	134.0	173.3	–	–	
Three years later	91.9	94.3	115.8	112.4	140.1	–	–	–	
Four years later	85.9	89.6	120.1	106.9	–	–	–	–	
Five years later	85.2	86.8	123.3	–	–	–	–	–	
Six years later	82.6	85.0	–	–	–	–	–	–	
Seven years later	82.6	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**82.6**	**85.0**	**123.3**	**106.9**	**140.1**	**173.3**	**166.1**	**163.4**	
Cumulative payments									
Accident Year	35.4	37.1	37.4	38.8	51.6	81.9	64.1	55.0	
One year later	64.1	64.3	78.7	87.4	105.0	138.5	107.4	–	
Two years later	74.8	75.4	91.3	96.4	113.9	154.4	–	–	
Three years later	77.7	80.7	95.3	99.2	127.9	–	–	–	
Four years later	80.3	83.4	112.0	100.5	–	–	–	–	
Five years later	81.5	84.0	120.7	–	–	–	–	–	
Six years later	81.7	84.0	–	–	–	–	–	–	
Seven years later	81.9	–	–	–	–	–	–	–	
Cumulative payments	**81.9**	**84.0**	**120.7**	**100.5**	**127.9**	**154.4**	**107.4**	**55.0**	
Non-life gross claim liabilities	**0.7**	**1.0**	**2.6**	**6.4**	**12.2**	**18.9**	**58.7**	**108.4**	**208.9**
Reserve for prior years									**27.8**
Non-life Insurance Contract Liabilities, gross									**236.7**

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

TABLE 33(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date (continued).

Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2018:

in Singapore Dollars (millions)	2011	2012	2013	2014	2015	2016	2017	2018	Total
Estimate of cumulative claims									
Accident Year	72.5	64.3	92.9	80.5	82.9	90.6	93.3	106.3	
One year later	77.6	70.2	74.2	77.2	78.8	85.4	91.7	–	
Two years later	61.0	66.5	71.8	75.7	74.8	83.2	–	–	
Three years later	59.1	65.1	71.1	75.1	71.7	–	–	–	
Four years later	54.9	62.7	69.0	71.8	–	–	–	–	
Five years later	54.6	61.4	66.6	–	–	–	–	–	
Six years later	52.8	60.1	–	–	–	–	–	–	
Seven years later	52.7	–	–	–	–	–	–	–	
Current estimate of cumulative claims	**52.7**	**60.1**	**66.6**	**71.8**	**71.7**	**83.2**	**91.7**	**106.3**	
Cumulative payments									
Accident Year	25.0	31.6	30.2	31.6	30.2	40.9	43.6	46.8	
One year later	43.5	49.4	55.0	59.3	55.6	65.8	72.0	–	
Two years later	48.7	56.0	61.3	65.2	61.8	72.5	–	–	
Three years later	50.6	58.4	63.3	67.5	63.8	–	–	–	
Four years later	51.6	59.4	64.5	68.6	–	–	–	–	
Five years later	52.2	59.6	64.9	–	–	–	–	–	
Six years later	52.3	59.7	–	–	–	–	–	–	
Seven years later	52.3	–	–	–	–	–	–	–	
Cumulative payments	**52.3**	**59.7**	**64.9**	**68.6**	**63.8**	**72.5**	**72.0**	**46.8**	
Non-life net claim liabilities	**0.4**	**0.4**	**1.7**	**3.2**	**7.9**	**10.7**	**19.7**	**59.5**	**103.5**
Reserve for prior years									**12.8**
Non-life Insurance Contract Liabilities, net									**116.3**

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk

Market risk arises when the market values of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

The Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. In the case of the funds managed by Lion Global Investors, investment risks are borne by investors and the Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Group's risk appetite and in line with the Group's management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Group in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below:

(a) ***Interest rate risk (including asset liability mismatch).*** The Group is exposed to interest rate risk through (i) investments in fixed income instruments and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by Group ALC and the local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the Monetary Authority of Singapore (MAS), the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of Singapore Government Securities (SGS) while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

Under Malaysia regulations governed by Bank Negara Malaysia (BNM), the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of Malaysia Government Securities (MGS) with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

(b) ***Foreign currency risk.*** Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposure ranging from 15% to 35% are applied to investments in fixed income portfolios at a fund level. Currency risk derived from investments in foreign equities is generally not hedged.

The Group is also exposed to foreign exchange risk on the net investment in its foreign subsidiaries. Such risk mainly arises from the Group's subsidiaries in Malaysia.The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by Bank Negara, Malaysia.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(b) ***Foreign currency risk.*** (continued)

TABLE 33(D): The tables below show the foreign exchange position of the Group's financial and insurance-related assets and liabilities by major currencies:

in Singapore Dollars (millions)	SGD	RM	USD	Others	Total
As at 31 December 2018					
FINANCIAL AND INSURANCE-RELATED ASSETS					
Financial assets at FVOCI					
Equity securities	534.6	192.1	–	1,125.4	1,852.1
Debt securities	3,730.4	695.0	2,304.6	228.7	6,958.7
Financial assets at FVTPL					
Equity securities	1,696.0	6,004.9	910.8	3,585.9	12,197.6
Debt securities	13,511.0	14,044.9	8,966.7	4,422.0	40,944.6
Other investments	4,558.9	199.4	3,289.9	1,520.1	9,568.3
Derivative financial assets	217.2	–	7.5	2.2	226.9
Loans	510.1	817.8	1.7	–	1,329.6
Insurance receivables	1,114.9	1,674.5	0.2	4.5	2,794.1
Other debtors	604.3	246.4	132.3	31.6	1,014.6
Cash and cash equivalents	3,505.3	1,387.4	540.8	271.6	5,705.1
	29,982.7	25,262.4	16,154.5	11,192.0	82,591.6
FINANCIAL AND INSURANCE-RELATED LIABILITIES					
Other creditors	1,168.1	324.4	97.5	22.1	1,612.1
Insurance payables	1,358.9	3,244.6	3.7	12.0	4,619.2
Derivative financial liabilities	6.2	1.9	120.7	165.9	294.7
Provision for agents' retirement benefits	–	276.1	–	–	276.1
Debt issued	399.8	–	–	–	399.8
Insurance contract liabilities	44,065.0	19,498.1	1,763.7	502.8	65,829.6
	46,998.0	23,345.1	1,985.6	702.8	73,031.5

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(b) ***Foreign currency risk.*** (continued)

TABLE 33(D): The tables below show the foreign exchange position of the Group's financial and insurance-related assets and liabilities by major currencies (continued):

in Singapore Dollars (millions)	SGD	RM	USD	Others	Total
As at 31 December 2017					
FINANCIAL AND INSURANCE-RELATED ASSETS					
Available-for-sale securities					
Equity securities	2,784.9	5,581.7	659.2	5,294.5	14,320.3
Debt securities	14,378.0	11,751.6	10,444.8	3,294.2	39,868.6
Other investments	3,127.8	199.2	2,399.4	1,202.6	6,929.0
Securities at fair value through profit or loss					
Equity securities	100.2	1,677.3	251.9	506.8	2,536.2
Debt securities	20.9	692.1	159.2	308.1	1,180.3
Other investments	1,799.1	39.8	293.7	298.0	2,430.6
Financial instruments held-for-trading					
Equity securities	0.3	11.8	–	–	12.1
Debt securities	541.2	1,100.5	0.1	–	1,641.8
Derivative financial assets	230.7	–	6.0	2.2	238.9
Loans	431.8	927.3	–	–	1,359.1
Insurance receivables	1,052.4	1,619.5	6.3	22.9	2,701.1
Other debtors	959.0	289.3	139.2	129.2	1,516.7
Cash and cash equivalents	3,881.6	858.3	324.7	300.2	5,364.8
	29,307.9	24,748.4	14,684.5	11,358.7	80,099.5
FINANCIAL AND INSURANCE- RELATED LIABILITIES					
Other creditors	1,343.8	295.8	160.1	294.9	2,094.6
Insurance payables	1,104.8	3,001.4	3.9	14.0	4,124.1
Derivative financial liabilities	3.8	13.8	114.9	247.4	379.9
Provision for agents' retirement benefits	–	276.0	–	–	276.0
Debt issued	399.7	–	–	–	399.7
Insurance contract liabilities	41,531.1	19,058.1	1,389.7	483.1	62,462.0
	44,383.2	22,645.1	1,668.6	1,039.4	69,736.3

The Group has no significant concentration of foreign currency risk.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(c) ***Equity price risk.*** Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Group, through investments, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

(d) ***Credit spread risk.*** Exposure to credit spread risk exists in the Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of the Group's bond portfolio.

(e) ***Alternative investment risk.*** The Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC and Group ALC.

(f) ***Commodity risk.*** The Group does not have a direct or significant exposure to commodity risk.

(g) ***Liquidity risk.*** Liquidity risk arises when a company is unable to meet the cash flow needs of its financial labilities, or if the assets backing the liabilities cannot be sold quickly enough without incurring unreasonable losses. For an insurance company, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although these have been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) ***Liquidity risk.*** (continued)

Maturity Profile

TABLE 33(E1): The following tables show the expected recovery or settlement of financial and insurance-related assets and maturity profile of the Group's financial and insurance contract liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

in Singapore Dollars (millions)	Carrying Amount	< 1 Year	1 - 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2018						
FINANCIAL AND INSURANCE-RELATED ASSETS						
Financial assets at FVOCI						
Equity securities	1,852.1	–	–	–	1,852.1	1,852.1
Debt securities	6,958.7	289.7	1,962.1	8,420.6	–	10,672.4
Financial assets at FVTPL						
Equity securities	12,197.6	–	–	–	12,197.6	12,197.6
Debt securities	40,944.6	2,513.8	15,747.9	41,857.7	–	60,119.4
Other investments	9,568.3	–	–	–	9,568.3	9,568.3
Loans	1,329.6	532.9	738.5	215.6	–	1,487.0
Insurance receivables	2,794.1	385.1	3.5	–	2,405.5	2,794.1
Other debtors	1,014.6	951.9	10.5	18.2	34.0	1,014.6
Cash and cash equivalents	5,705.1	5,705.1	–	–	–	5,705.1
	82,364.7	10,378.5	18,462.5	50,512.1	26,057.5	105,410.6
FINANCIAL AND INSURANCE-RELATED LIABILITIES						
Other creditors	1,612.1	1,579.6	4.6	0.3	27.6	1,612.1
Insurance payables	4,619.2	3,571.4	1,043.4	–	4.4	4,619.2
Provision for agents' retirement benefits	276.1	99.7	59.1	117.3	–	276.1
Debt issued	399.8	18.4	427.6	–	–	446.0
Insurance contract liabilities	65,829.6	7,981.4	14,795.6	43,032.9	19.7	65,829.6
	72,736.8	13,250.5	16,330.3	43,150.5	51.7	72,783.0

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) ***Liquidity risk.*** (continued)

Maturity Profile (continued)

TABLE 33(E1): The following tables show the expected recovery or settlement of financial and insurance-related assets and maturity profile of the Group's financial and insurance contract liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities (continued).

in Singapore Dollars (millions)	Carrying Amount	< 1 Year	1–5 Years	> 5 Years	No maturity date	Total
As at 31 December 2017						
FINANCIAL AND INSURANCE-RELATED ASSETS						
Available-for-sale securities						
Equity securities	14,320.3	–	–	–	14,320.3	14,320.3
Debt securities	39,868.6	1,191.3	13,377.2	44,261.6	–	58,830.1
Other investments	6,929.0	–	–	–	6,929.0	6,929.0
Securities at fair value through profit or loss						
Equity securities	2,536.2	–	–	–	2,536.2	2,536.2
Debt securities	1,180.3	137.0	565.1	866.8	–	1,568.9
Other investments	2,430.6	–	–	–	2,430.6	2,430.6
Financial instruments held-for-trading						
Equity securities	12.1	4.9	2.8	4.4	–	12.1
Debt securities	1,641.8	81.5	1,310.6	648.6	–	2,040.7
Loans	1,359.1	198.2	1,058.8	263.2	–	1,520.2
Insurance receivables	2,701.1	331.4	(1.0)	(0.1)	2,370.8	2,701.1
Other debtors	1,516.7	1,427.6	4.4	18.2	66.5	1,516.7
Cash and cash equivalents	5,364.8	5,364.8	–	–	–	5,364.8
	79,860.6	8,736.7	16,317.9	46,062.7	28,653.4	99,770.7
FINANCIAL AND INSURANCE-RELATED LIABILITIES						
Other creditors	2,094.6	2,008.1	49.8	1.6	35.1	2,094.6
Insurance payables	4,124.1	3,247.1	865.9	4.2	6.9	4,124.1
Provision for agents' retirement benefits	276.0	93.0	56.8	126.2	–	276.0
Debt issued	399.7	18.4	446.0	–	–	464.4
Insurance contract liabilities	62,462.0	8,105.1	10,857.3	43,477.6	22.0	62,462.0
	69,356.4	13,471.7	12,275.8	43,609.6	64.0	69,421.1

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) ***Liquidity risk.*** (continued)

TABLE 33(E2): The following tables show the current/non-current classification of assets and liabilities:

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
As at 31 December 2018				
ASSETS				
Cash and cash equivalents	5,170.2	–	534.9	5,705.1
Other debtors	947.7	64.1	61.7	1,073.5
Insurance receivables	385.1	2,409.0	–	2,794.1
Loans	482.4	847.2	–	1,329.6
Derivative financial assets	93.5	128.9	4.5	226.9
Investments	14,207.3	52,046.4	5,267.6	71,521.3
Associates	–	1.7	–	1.7
Intangible assets	–	27.4	–	27.4
Property, plant and equipment	–	591.1	–	591.1
Investment properties	–	1,771.3	–	1,771.3
	21,286.2	57,887.1	5,868.7	85,042.0
LIABILITIES				
Insurance payables	3,571.3	1,047.9	–	4,619.2
Other creditors	1,526.4	33.4	87.3	1,647.1
Derivative financial liabilities	50.9	241.7	2.1	294.7
Income tax payable	501.2	–	6.5	507.7
Provision for agents' retirement benefits	99.7	176.4	–	276.1
Deferred tax	–	1,131.0	1.1	1,132.1
Debt issued	–	399.8	–	399.8
Insurance contract liabilities	1,886.0	60,581.6	6,176.2	68,643.8
	7,635.5	63,611.8	6,273.2	77,520.5

* expected recovery or settlement within 12 months from the balance sheet date.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) ***Liquidity risk.*** (continued)

TABLE 33(E2): The following tables show the current/non-current classification of assets and liabilities (continued):

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
As at 31 December 2017				
ASSETS				
Cash and cash equivalents	5,065.5	–	299.3	5,364.8
Other debtors	1,403.1	99.1	84.2	1,586.4
Insurance receivables	331.4	2,369.7	–	2,701.1
Loans	168.4	1,190.7	–	1,359.1
Derivative financial assets	114.9	119.6	4.4	238.9
Investments	10,318.0	52,716.5	5,884.4	68,918.9
Assets held for sale	3.9	–	–	3.9
Associates	–	2.2	–	2.2
Intangible assets	–	27.6	–	27.6
Property, plant and equipment	–	591.4	–	591.4
Investment properties	–	1,553.0	–	1,553.0
	17,405.2	58,669.8	6,272.3	82,347.3
LIABILITIES				
Insurance payables	3,243.6	868.5	12.0	4,124.1
Other creditors	1,931.4	85.9	108.3	2,125.6
Derivative financial liabilities	34.3	341.8	3.8	379.9
Income tax payable	529.9	–	10.0	539.9
Provision for agents' retirement benefits	93.0	183.0	–	276.0
Deferred tax	–	1,352.8	22.2	1,375.0
Debt issued	–	399.7	–	399.7
Insurance contract liabilities	1,873.5	57,345.1	6,293.7	65,512.3
	7,705.7	60,576.8	6,450.0	74,732.5

* expected recovery or settlement within 12 months from the balance sheet date.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(h) ***Credit risk.*** Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in bonds, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. Group wide credit risk is managed by Group ALC. The Group has internal limits by issuer, counterparty and investment grade. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided through counterparties' limits that are set each year.

Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

The Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

The loans in the Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70%. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines on the eligibility of collateral have been established, and all collaterals are revalued on a regular basis. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by the Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

in Singapore Dollars (millions)	Type of Collateral	Carrying Amount	Fair Value of Collateral
As at 31 December 2018			
Secured loans	**Properties**	**604.4**	**1,033.1**
	Others	**430.2[1]**	**8.4**
Policy loans	**Cash value of policies**	**2,344.9**	**4,805.7**
		3,379.5	**5,847.2**
As at 31 December 2017			
Secured loans	Properties	679.3	1,231.2
	Others	431.3[1]	8.2
Policy loans	Cash value of policies	2,276.2	4,569.2
		3,386.8	5,808.6

[1] This includes secured loans which are guaranteed by the government although there is no collateral held.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(h) ***Credit risk.*** (continued)

There were no securities lending arrangements as at 31 December 2018 (31 December 2017: nil).

As at the balance sheet date, no investments (2017: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under standard terms and conditions for securities borrowing and lending activities.

The following table sets out information about the credit quality of financial assets measured at amortised cost and debt securities at FVOCI (2017: available-for-sale). The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For loan commitments, the amounts in the table represent the amounts committed.

For explanation of the terms: '12-month ECL', 'lifetime ECL' and 'credit-impaired', refer to Note 2.10.8.

	31 Dec 2018				31 Dec 2017
in Singapore Dollars (millions)	**12-month ECL**	**Lifetime ECL not credit impaired**	**Lifetime ECL credit impaired**	**Total**	Total
Loans at amortised cost					
Investment Grade* (BBB to AAA)	**862.4**	**44.0**	**–**	**906.4**	429.9
Non Investment Grade* (C to BB)	**39.5**	**292.5**	**109.4**	**441.4**	109.4
Not Rated	**2.5**	**–**	**–**	**2.5**	867.1
	904.4	**336.5**	**109.4**	**1,350.3**	1,406.4
Loss allowance	**(0.5)**	**(6.4)**	**(13.8)**	**(20.7)**	(47.3)
Carrying amount	**903.9**	**330.1**	**95.6**	**1,329.6**	1,359.1
Debt securities at FVOCI (2017: available-for-sale)					
Investment Grade* (BBB to AAA)	**6,580.4**	**26.2**	**–**	**6,606.6**	28,562.2
Non Investment Grade* (C to BB)	**294.3**	**55.8**	**2.0**	**352.1**	28.7
Not Rated	**–**	**–**	**–**	**–**	11,277.7
	6,874.7	**82.0**	**2.0**	**6,958.7**	39,868.6
Loan commitments					
Investment Grade* (BBB to AAA)	**25.9**	**0.9**	**–**	**26.8**	22.2

* Based on internal ratings grades which are equivalent to grades of external rating agencies (2017: Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC).

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(h) ***Credit risk.*** (continued)

The following table sets out the credit analysis for financial assets other than FVOCI debt securities and loans at amortised cost, measured at FVOCI, FVTPL and at amortised cost (2017: Available-for-sale):

in Singapore Dollars (millions)	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)	Not Rated	Unit-linked	Not subject to credit risk	Total carrying amount
As at 31 Dec 2018						
Financial assets at FVOCI						
Equity securities	**–**	**–**	**–**	**–**	**1,852.1**	**1,852.1**
Financial assets at FVTPL						
Equity securities	**–**	**–**	**0.8**	**1,978.6**	**10,218.2**	**12,197.6**
Debt securities	**32,254.1**	**1,432.3**	**6,013.0**	**1,245.2**	**–**	**40,944.6**
Other investments	**–**	**–**	**131.9**	**2,307.0**	**7,129.4**	**9,568.3**
Derivative financial assets	**219.0**	**–**	**3.3**	**4.6**	**–**	**226.9**
Insurance receivables	**3.6**	**–**	**2,616.9**	**2.1**	**–**	**2,622.6**
Other debtors	**1.5**	**–**	**952.3**	**60.8**	**–**	**1,014.6**
Cash and cash equivalents	**5,101.7**	**–**	**87.2**	**516.2**	**–**	**5,705.1**
	37,579.9	**1,432.3**	**9,805.4**	**6,114.5**	**19,199.7**	**74,131.8**
As at 31 Dec 17						
Available-for-sale securities						
Equity securities	–	–	–	–	14,320.3	14,320.3
Other investments	–	–	–	–	6,929.0	6,929.0
Financial assets at FVTPL						
Equity securities	–	–	–	2,416.9	119.3	2,536.2
Debt securities	144.2	–	–	1,036.1	–	1,180.3
Other investments	–	–	–	2,427.5	3.1	2,430.6
Financial instruments held-for-trading						
Equity securities	–	–	–	3.8	8.3	12.1
Debt securities	1,092.0	–	549.7	0.1	–	1,641.8
Derivative financial assets	234.6	–	–	4.3	–	238.9
Insurance receivables	2.9	–	2,504.6	–	28.4	2,535.9
Other debtors	–	–	1,433.2	83.5	–	1,516.7
Cash and cash equivalents	4,900.1	–	165.4	299.3	–	5,364.8
	6,373.8	–	4,652.9	6,271.5	21,408.4	38,706.6

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(h) ***Credit risk.*** (continued)

Amounts arising from ECL

Measurement of ECL - Explanation of inputs, assumptions and estimation techniques

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ('PD');
- loss given default ('LGD'); and
- exposure at default ('EAD').

These parameters are derived from internally developed statistical models as developed by the Group based on historical data.They are adjusted to reflect forward-looking information.

PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months ('12M PD'), or over the remaining lifetime ('Lifetime PD') of the obligation. PD estimates are based on rating models which use quantitative as well as qualitative input parameters and which are based on internal and external compiled data.

LGD is the magnitude of the likely loss if there is a default. LGD is expressed as a percentage per loss per unit of exposure at the time of default and represents the estimate of the economic loss in the event of the default of the counterparty. Drivers of LGD include the seniority of the claim, the availability and quality of collateral, legal enforceability processes in the jurisdiction and industry of borrower and existing market conditions. They are estimates at a certain date, which are calculated based on statistical rating models. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty, including amortisation schedules. The EAD of a financial asset is its gross carrying amount.

The ECL is determined by projecting PD, LGD and EAD for each individual exposure. These three components are multiplied together and adjusted for forward looking information. This is then discounted back to the reporting date. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Significant increase in credit risk

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating
– External credit rating
– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

A movement of an instrument's credit rating along the rating scale will represent changes in credit risk, measured by the change in PD.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(h) ***Credit risk.*** (continued)

Significant increase in credit risk (continued)

The criteria for assessing whether credit risk has increased significantly will be determined by both quantitative changes in 12M PDs and qualitative factors. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's quantitative model, the 12M PD is determined to have more than doubled since origination except where the counterparty remains within the investment grade rating. The criteria as described above would only apply if the financial instrument does not have an investment grade rating.

Using its expert credit judgement and, where possible, relevant historical experience, the Group may determine that an exposure has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis. The Group uses the watch-list as an additional trigger for the identification of significant increase in credit risk.

The Group considers "low credit risk" to be an investment grade credit rating using a combination of internal and external credit rating models.

Credit risk grades

The Group assigns each exposure to a credit risk grade reflecting the PD of the counterparty and applying experienced credit judgement. Credit risk grades are established based on qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of counterparty.

Credit risk grades are defined and calibrated such that the risk of default occurring increases as the credit risk deteriorates. Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves the use of information obtained during periodic review, including published financial statements, external rating (where available), qualitative information about an obligor's industry characteristics, competitive positioning, management, financial policy and financial flexibility.

Definition of default

The Group considers a financial asset to be in default by assessing the following criteria:

<u>Quantitative criteria</u>

For insurance receivables, the counterparty fails to make contractual payments within 12 months when they fall due, which are derived based on the Group's historical information. For bonds and loans, the instrument is in overdue status and there are non-payments on another debt obligation of the same issuer to the Group.

<u>Qualitative criteria</u>

The counterparty is in bankruptcy or has indications of potentially significant financial difficulty such as lawsuits or similar actions that threaten the financial viability of the counterparty; distressed exchange, merger or amalgamation without assumption or breach of material loan covenants not rectified within a given timeframe, restructuring with expected principal haircut or a breach in material loan covenant that is not rectified within given timeframe.

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for credit risk management purposes. The default definition has been applied consistently to model the PD, EAD and LGD throughout the Group's expected loss calculations.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(h) ***Credit risk.*** (continued)

Incorporating of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables (the "base economic scenario") are obtained from publicly available economic databases published on a quarterly basis and provide the best estimate view of the economy over the next four to five years, after which, to project the economic variables for the full remaining lifetime of each instrument, a mean reversion approach is used. The impact of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components of LGD and EAD.

In addition to the base economic scenario, the Group uses multiple scenarios to ensure non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date. At 1 January 2018 and 31 December 2018, for all portfolios, the Group concluded that two scenarios appropriately captured non-linearities. The scenario weightings are determined by expert credit judgement, taking into account the range of possible outcomes the chosen scenario is representative of. The assessment of significant increase in credit risk is performed using the 12M PD under each of the base, and the other scenario, multiplied by the associated scenario weighting. This determines whether the whole financial instrument is in Stage 1, Stage 2 or Stage 3 and hence whether 12M or lifetime ECL should be recorded. Following this assessment, the Group measures ECL as either a probability weighted 12M ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty and the actual outcomes may be significantly different from those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

The sensitivity of the ECL to the economic variable assumptions affecting the calculation of ECL was not material to the Group for the year ended 31 December 2018.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(h) ***Credit risk.*** (continued)

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument. Comparative amounts for 2017 represent allowance amount for credit losses and reflect measurement basis under SFRS 39.

		31 Dec 2018				31 Dec 2017
in Singapore Dollars (millions)	**Note**	**12-month ECL**	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**	Total
Loans at amortised cost						
Balance at the beginning of the year as previously reported		**–**	**–**	**47.3**	**47.3**	6.1
Adoption of SFRS(I) 9		**0.3**	**9.2**	**–**	**9.5**	–
Balance at the beginning of the year, restated		**0.3**	**9.2**	**47.3**	**56.8**	6.1
Net remeasurement of loss allowance		**0.2**	**0.3**	**(33.5)**	**(33.0)**	52.4
New financial assets purchased		**0.1**	**–**	**–**	**0.1**	–
Financial assets that have been derecognised		**(0.2)**	**(2.9)**	**–**	**(3.1)**	(11.2)
Foreign exchange and other movements		**0.1**	**(0.1)**	**(0.1)**	**(0.1)**	–
Balance at the end of the year	19	**0.5**	**6.5**	**13.7**	**20.7**	47.3
Debt securities at FVOCI (2017: Available-for-sale debt securities)						
Balance at the beginning of the year as previously reported		**–**	**–**	**64.0**	**64.0**	12.0
Adoption of SFRS(I) 9		**3.5**	**3.5**	**(57.4)**	**(50.4)**	–
Balance at the beginning of the year, restated		**3.5**	**3.5**	**6.6**	**13.6**	12.0
Transfer to 12-month ECL		**0.2**	**(0.2)**	**–**	**–**	–
Net remeasurement of loss allowance		**–**	**–**	**–**	**–**	58.5
New financial assets purchased		**2.0**	**0.2**	**–**	**2.2**	–
Financial assets that have been derecognised		**(1.1)**	**(1.7)**	**(3.9)**	**(6.7)**	(6.5)
Changes in models/risk parameters		**0.1**	**–**	**–**	**0.1**	–
Foreign exchange and other movements		**(0.1)**	**0.1**	**0.1**	**0.1**	–
Balance at the end of the year	21	**4.6**	**1.9**	**2.8**	**9.3**	64.0
Available-for-sale equity securities and collective investment schemes						
Balance at the beginning of the year		**–**	**–**	**–**	**–**	403.1
Net remeasurement of loss allowance		**–**	**–**	**–**	**–**	136.0
Financial assets that have been derecognised		**–**	**–**	**–**	**–**	(125.2)
Foreign exchange and other movements		**–**	**–**	**–**	**–**	(4.8)
Balance at the end of the year	21	**–**	**–**	**–**	**–**	409.1
Increase/(decrease) in provision for impairment of financial assets for the year	7	**1.1**	**(4.1)**	**(37.4)**	**(40.4)**	246.9

The above loss allowance as at 31 December 2018 for debt securities at FVOCI is not recognised in the statement of financial position because the carrying amount of debt securities at FVOCI (2017: available-for-sale) is their fair value.

The carrying amount of outstanding premiums as at 31 December 2018 is $261.5 million (31 December 2017: $244.8 million). The ECL relating to outstanding premiums as at 31 December 2018 was $2.7 million (31 December 2017: $4.1 million) for the Group. The changes in credit loss recognised in the profit and loss statement during the period was negative $1.7 million (31 December 2017: $0.5 million).

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(i) ***Concentration risk.*** An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. The Group's exposures are within the concentration limits set by the respective local regulators.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

(j) ***Sensitivity analysis on financial risks.*** The sensitivity analysis below shows the impact on the Group's net profit after tax by applying possible shocks to each key variable, with all other variables constant. While the co-movement of key variable can significantly affect the fair values and/or amortised cost of financial assets, but to demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the Profit and Loss Statement, and changes in valuation of insurance contract liabilities. The equity sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

Market risk sensitivity analysis:

	Impact on Profit After Tax		Impact on Equity	
in Singapore Dollars (millions)	**31 December 2018**	31 December 2017	**31 December 2018**	31 December 2017
Change in variables:				
(a) Interest Rate				
+ 100 basis points	**62.4**	256.2	**(383.2)**	(285.8)
– 100 basis points	**(160.4)**	(383.3)	**365.9**	242.1
(b) LTRFDR[1]				
+ 10 basis points	**41.0**	43.9	**41.0**	43.9
– 10 basis points	**(43.6)**	(46.7)	**(43.6)**	(46.7)
(c) Foreign Currency				
5% increase in market value of foreign currency denominated assets	**22.8**	53.6	**71.2**	131.6
5% decrease in market value of foreign currency denominated assets	**(22.8)**	(53.6)	**(71.2)**	(131.6)
(d) Equity				
20% increase in market indices:				
– STI	**67.9**	–	**156.0**	150.3
– KLCI	**27.5**	–	**49.1**	40.0
20% decrease in market indices:				
– STI	**(67.9)**	–	**(156.0)**	(150.3)
– KLCI	**(27.5)**	–	**(49.1)**	(40.0)
(e) Credit				
Spread + 100 basis points	**(164.8)**	(4.3)	**(490.0)**	(476.0)
Spread – 100 basis points	**177.5**	4.6	**558.7**	549.5
(f) Alternative Investments[2]				
10% increase in market value of all alternative investments	**49.1**	–	**53.5**	31.6
10% decrease in market value of all alternative investments	**(49.1)**	–	**(53.5)**	(31.6)

[1] LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.

[2] Alternative Investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

33 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, as a result of its failure to comply with applicable laws, regulations and standards. The applicable key compliance areas include:

- laws, regulations and rules governing insurance business and regulated financial activities undertaken by Great Eastern;
- codes of practice promoted by industry associations;
- anti-money laundering; and
- countering of financing of terrorism.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal control frameworks, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMC reviews operational and compliance issues on a group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. The Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the Audit Committee.

Technology Risk

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, or failure arising from the use of or reliance on computer hardware, software, electronic devices, and networks.

Great Eastern adopts a risk based approach in managing technology risks relating to cyber-attacks, data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, priviledge access misuse, system security vulnerabilitiy, system unavailability and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by Internal Audit for its adequacy and effectiveness.

34 FAIR VALUE OF ASSETS AND LIABILITIES

34.1 Fair Value Hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, quotes from brokers and market makers, discounted cash flow and other valuation techniques commonly used by market participants, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

<u>Transfers between levels of the fair value heirarchy</u>

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.2 Assets and Liabilities Measured at Fair Value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting year:

	Group			
	2018			
	Fair value measurements at the end of the reporting year using			
in Singapore Dollars (millions)	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2018				
Recurring Fair Value Measurements				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	–	88.3	–	88.3
Currency swaps	–	105.1	–	105.1
Options	–	0.2	–	0.2
Interest rates				
Swaps	–	27.6	–	27.6
Exchange traded futures	5.4	–	–	5.4
Equity				
Futures	0.3	–	–	0.3
	5.7	221.2	–	226.9
Financial assets at FVOCI				
Equity securities				
Quoted equity securities	1,819.6	–	–	1,819.6
Unquoted equity securities	–	–	32.5	32.5
Debt securities				
Quoted debt securities	5,365.4	49.5	–	5,414.9
Unquoted debt securities	–	1,543.8	–	1,543.8
	7,185.0	1,593.3	32.5	8,810.8
Financial assets at FVTPL				
Equity securities				
Quoted equity securities	11,643.0	–	–	11,643.0
Unquoted equity securities	–	8.7	545.9	554.6
Debt securities				
Quoted debt securities	23,809.0	2,567.5	–	26,376.5
Unquoted debt securities	–	14,568.1	–	14,568.1
Other investments				
Collective investment schemes	7,051.7	1,644.8	871.8	9,568.3
	42,503.7	18,789.1	1,417.7	62,710.5
Financial assets as at 31 December 2018	**49,694.4**	**20,603.6**	**1,450.2**	**71,748.2**

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.2 Assets and Liabilities Measured at Fair Value (continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting year (continued):

	Group			
	2018			
	Fair value measurements at the end of the reporting year using			
in Singapore Dollars (millions)	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
NON-FINANCIAL ASSETS				
Investment properties	–	–	1,771.3	1,771.3
Non-financial assets as at 31 December 2018	–	–	1,771.3	1,771.3
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	–	28.9	–	28.9
Currency swaps	–	261.4	–	261.4
Options	–	0.4	–	0.4
Interest rates				
Swaps	–	0.6	–	0.6
Exchange traded futures	2.3	–	–	2.3
Equity				
Futures	1.0	–	–	1.0
Options	0.1	–	–	0.1
Financial liabilities as at 31 December 2018	3.4	291.3	–	294.7

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.2 Assets and Liabilities Measured at Fair Value (continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting year (continued):

	Group			
	2017			
	Fair value measurements at the end of the reporting year using			
in Singapore Dollars (millions)	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
As at 31 December 2017				
Recurring Fair Value Measurements				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	–	115.2	–	115.2
Currency swaps	–	95.3	–	95.3
Interest rates				
Swaps	–	26.5	–	26.5
Exchange traded futures	0.2	–	–	0.2
Equity				
Options	–	1.7	–	1.7
	0.2	238.7	–	238.9
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	13,831.8	–	–	13,831.8
Unquoted equity securities	–	–	389.5	389.5
Debt securities				
Quoted debt securities	24,923.6	2,270.0	–	27,193.6
Unquoted debt securities	–	12,675.0	–	12,675.0
Other investments				
Collective investment schemes	5,177.3	901.6	850.1	6,929.0
	43,932.7	15,846.6	1,239.6	61,018.9
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	2,535.1	–	–	2,535.1
Unquoted equity securities	–	1.1	–	1.1
Debt securities				
Quoted debt securities	369.8	49.2	–	419.0
Unquoted debt securities	–	761.3	–	761.3
Other investments				
Collective investment schemes	2,013.9	416.7	–	2,430.6
	4,918.8	1,228.3	–	6,147.1
Financial assets held-for-trading				
Equity securities				
Quoted equity securities	12.1	–	–	12.1
Debt securities				
Quoted debt securities	541.2	–	–	541.2
Unquoted debt securities	–	1,100.6	–	1,100.6
	553.3	1,100.6	–	1,653.9
Financial assets as at 31 December 2017	49,405.0	18,414.2	1,239.6	69,058.8

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.2 Assets and Liabilities Measured at Fair Value (continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting year (continued):

	Group			
	2017			
	Fair value measurements at the end of the reporting year using			
in Singapore Dollars (millions)	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
NON-FINANCIAL ASSETS				
Investment properties	–	–	1,553.0	1,553.0
Non-financial assets as at 31 December 2017	–	–	1,553.0	1,553.0
FINANCIAL LIABILITIES				
Foreign exchange				
Forwards	–	29.9	–	29.9
Currency swaps	–	348.1	–	348.1
Interest rates				
Swaps	–	0.3	–	0.3
Exchange traded futures	0.7	–	–	0.7
Equity				
Options	–	0.9	–	0.9
Financial liabilities as at 31 December 2017	0.7	379.2	–	379.9

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.3 Level 3 Fair Value Measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	**Fair value as at 31 December 2018**	**Valuation techniques**	**Unobservable inputs**	**Range (weighted average)**
Investment properties	**1,771.3**	**Income approach**	**Rental psf per month**	**\$1.04 to \$1.82**
			Rental growth rate	**12.50%**
			Long-term vacancy rate	**7.5%**
			Discount rate	**6.00% to 6.50%**
		Comparison approach	**Estimated psf**	**\$15 to \$3,755**
Investments				
Unquoted equities	**578.4**	**Net asset value[(1)]**	**not applicable**	**not applicable**
Collective Investment Schemes	**871.8**	**Net asset value[(1)]**	**not applicable**	**not applicable**

Description	Fair value as at 31 December 2017	Valuation techniques	Unobservable inputs	Range (weighted average)
Investment properties	1,553.0	Income approach	Rental psf per month	\$1.04 to \$1.82
			Rental growth rate	12.50%
			Long-term vacancy rate	7.5%
			Discount rate	6.00% to 6.50%
		Comparison approach	Estimated psf	\$15 to \$2,920
Investments				
Unquoted equities	389.5	Net asset value[(1)]	not applicable	not applicable
Collective Investment Schemes	850.1	Net asset value[(1)]	not applicable	not applicable

(1) These investments are valued using net asset value. The net asset value of these investments as at the reporting date is an unobservable input as it is not published. Accordingly, these investments are classified as Level 3 investments within the fair value hierarchy. Changing unobservable inputs to reasonably possible alternative assumptions would not have a significant impact on profit for the year or total equity.

For investment properties, a significant increase/(decrease) in unobservable inputs would result in a significantly higher/(lower) fair value measurement.

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.3 Level 3 Fair Value Measurements (continued)

(ii) Movements in Level 3 assets and liabilities measured at fair value:

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Group			
	Fair value measurements using significant unobservable inputs (Level 3)			
	31 December 2018			
	Investments			
in Singapore Dollars (millions)	Unquoted equities	Collective Investment Schemes	Investment Properties	Total
Opening balance	**389.5**	**850.1**	**1,553.0**	**2,792.6**
Adoption of SFRS(I) 9	**23.7**	**–**	**–**	**23.7**
Opening balance, restated	**413.2**	**850.1**	**1,553.0**	**2,816.3**
Total gain/(loss) for the year:				
Included in profit and loss statement				
– Gain/(loss) on sale of investments and changes in fair value	**74.5**	**(10.3)**	**40.2**	**104.4**
Included in other comprehensive income				
– Changes in fair value	**25.7**	**–**	**–**	**25.7**
Purchases and sales for the year:				
Purchases	**132.4**	**185.7**	**179.1**	**497.2**
Sales	**(67.4)**	**(153.7)**	**(0.9)**	**(222.0)**
Reclassification from property, plant and equipment	**–**	**–**	**0.6**	**0.6**
Currency translation reserve adjustment	**–**	**–**	**(0.7)**	**(0.7)**
Closing balance	**578.4**	**871.8**	**1,771.3**	**3,221.5**

	Group			
	Fair value measurements using significant unobservable inputs (Level 3)			
	31 December 2017			
	Investments			
in Singapore Dollars (millions)	Unquoted equities	Collective Investment Schemes	Investment Properties	Total
Opening balance	441.7	730.6	1,539.0	2,711.3
Total gain/(loss) for the year:				
Included in profit and loss statement				
– (Loss)/gain on sale of investments and changes in fair value	(66.3)	(4.7)	9.8	(61.2)
– Increase in provision for impairment of assets	(2.6)	(4.9)	–	(7.5)
Included in other comprehensive income				
– Changes in fair value	13.6	(0.1)	–	13.5
Purchases and sales for the year:				
Purchases	86.1	149.0	0.1	235.2
Sales	(83.0)	(19.8)	(0.7)	(103.5)
Currency translation reserve adjustment	–	–	4.8	4.8
Closing balance	389.5	850.1	1,553.0	2,792.6

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.4 Assets and Liabilities Not Carried at Fair Value but for which Fair Value is Disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

	Group				
	31 December 2018				
	Fair value measurements at the end of the reporting year using				
in Singapore Dollars (millions)	**Quoted prices in active markets for identical assets (Level 1)**	**Significant observable inputs other than quoted prices (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**	**Carrying Amount**
<u>Assets</u>					
Loans	**–**	**1,344.2**	**–**	**1,344.2**	**1,329.6**
Freehold land, leasehold land and buildings	**–**	**–**	**818.1**	**818.1**	**437.5**

	Group				
	31 December 2017				
	Fair value measurements at the end of the reporting year using				
in Singapore Dollars (millions)	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying Amount
<u>Assets</u>					
Loans	–	1,373.1	–	1,373.1	1,359.1
Freehold land, leasehold land and buildings	–	–	799.8	799.8	450.4

34 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

34.5 Fair Value of Financial Instruments by Classes that are not Carried at Fair Value and whose Carrying Amounts are not Reasonable Approximation of Fair Value

The carrying amounts of the Group's financial assets and liabilities approximate their fair value, either due to their short-term nature or because they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date, except as disclosed below:

	Group			
	31 December 2018		31 December 2017	
in Singapore Dollars (millions)	**Carrying amount**	**Fair Value**	Carrying amount	Fair Value
Financial assets				
Available-for-sale financial assets				
Unquoted equity securities	**–**	**–**	99.0	#
Financial liabilities				
Debt issued	**399.8**	**414.3**	399.7	428.3

Unquoted equity securities

It is not practicable to determine the fair values of the above unquoted equity investments because of the lack of market prices and the assumptions used in the valuation models to value these investments cannot be reasonably determined. However, the cash flows from these investments are expected to be in excess of their carrying amounts.

The Group does not intend to dispose of these investments in the foreseeable future. The Group intends to eventually dispose of these investments through sale to institutional investors.

Debt issued

Fair value is determined directly by reference to the published market bid price at the end of the reporting year.

35 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING ARRANGEMENTS

Financial assets and liabilities are offset in the balance sheet when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously.

The Group's financial assets and liabilities that are off-set are as follows:

	31 December 2018		
in Singapore Dollars (millions)	**Gross carrying amount**	**Gross amounts offset in the balance sheet**	**Net amounts in the balance sheet**
Financial assets			
Insurance receivables	**48.1**	**(10.4)**	**37.7**
Total	**48.1**	**(10.4)**	**37.7**
Financial liabliities			
Insurance payables	**325.0**	**(181.0)**	**144.0**
Total	**325.0**	**(181.0)**	**144.0**

	31 December 2017		
in Singapore Dollars (millions)	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Financial assets			
Insurance receivables	47.6	(12.1)	35.5
Total	47.6	(12.1)	35.5
Financial liabliities			
Insurance payables	164.9	(79.9)	85.0
Total	164.9	(79.9)	85.0

36 DIVIDENDS

in Singapore Dollars (millions)	Group and Company 2018	2017
Final one-tier tax exempt dividend for the previous year of 50 cents per ordinary share (2017: 40 cents per ordinary share)	**236.6**	189.3
Special one-tier tax exempt dividend for the previous year of 10 cents per ordinary share (2017: nil cents per ordinary share)	**47.4**	–
Interim one-tier tax exempt dividend of 10 cents per ordinary share (2017: 10 cents per ordinary share)	**47.3**	47.4
	331.3	236.7

The Directors proposed a final one-tier tax exempt dividend of 50 cents per ordinary share amounting to $236.7 million (2017: $284.0 million) be paid in respect of the financial year ended 31 December 2018. These have not been recognised as distributions to shareholders.

There are no income tax consequences attached to the dividend to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

37 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 19 February 2019, the Board authorised these financial statements for issue and that two Directors of the Board, Mr Koh Beng Seng and Mr Kyle Lee Khai Fatt, sign the Directors' Report on behalf of the Board.

LIST OF MAJOR PROPERTIES

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
SINGAPORE PROPERTIES – 100% HELD BY THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED:				
Great Eastern Centre 1 Pickering Street	99 years leasehold (Expiry date: 31 August 2096)	6,600	21,515 (strata area excluding voids)	Commercial – Offices
Great Eastern @ Changi 200 Changi Road	Freehold	2,997	10,891	Commercial – Offices
Holland GEMS 1, 3 & 5 Taman Nakhoda	Freehold	8,685	13,895	Residential – 64-unit condominium
Gallop Court 6, 6A, 6B Gallop Road	Freehold	8,225	5,565	Residential – 25-unit condominium
Gallop Gardens 1, 1A, 1B, 1C, 3, 3A, 3B, 3C Tyersall Road	Freehold	12,636	4,805	Residential – 8-unit-Good Class Bungalows
Newton GEMS 50, 52 & 54 Newton Road Lot 660 TS 28, Newton Road	Freehold	2,809	28,819	Residential – 190-unit condominium
and				
Lot 56 TS 28, Lincoln Road	999 years leasehold (Expiry date: 12 February 2884)	6,945		
3 Pickering Street	99 years leasehold (Expiry date: 31 August 2096)	7,086	15,004 (strata area excluding voids)	Commercial – Retail & Offices 65-unit shop houses
Orchard Gateway @ Emerald 216 & 218 Orchard Road	Freehold	1,444	9,733	Commercial – Retail & Offices (including adjoining conservation shophouse)
MALAYSIA PROPERTIES – 100% HELD BY GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD:				
Menara Great Eastern/ Great Eastern Mall 303 Jalan Ampang, Kuala Lumpur	Freehold	25,600	149,464	Commercial – Retail and Offices
Seri Hening Residence 28, Jln Ampang Hilir, Kuala Lumpur	Freehold	21,484	53,111	Residential - Condominiums
Menara Weld/The Weld 76 Jln Raja Chulan, Kuala Lumpur	Freehold	6,404	75,126	Commercial – 30-storey building with 4 levels basement, 5 levels of shopping & 26 floors of office
Equatorial Plaza Office Lot 12312, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Freehold	strata title	51,873	Commercial – Offices
INDONESIA PROPERTIES – 100% HELD BY PT. GREAT EASTERN LIFE INDONESIA:				
Menara Karya Building Jl. HR. Rasuna Said Blok X-5, Kav. 1-2, Setiabudi Kuningan, Jakarta Selatan 12950	Freehold	6,109	1,318	Commercial – Offices

ADDITIONAL INFORMATION

Required Under The Listing Manual Of The Singapore Exchange Securities Trading Limited

1. INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year under review:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) $ million	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) $ million
OCBC Group of Companies		
– e2Power Pte. Ltd. – Data centre facilities, technical infrastructure services, database administration, network facilities and infrastructure support	6.061	NA
– e2Power Sdn Bhd – Data centre facilities, technical infrastructure services and network facilities	2.020	NA
– OCBC Bank (Malaysia) Berhad – Payment of commission	0.610	NA
– OCBC Square Private Limited - Lease of premises at OCBC Center	1.253	NA
– Oversea-Chinese Banking Corporation Limited –		
• Sponsorship for branch activities support, seminars, events and product launch support	2.000	NA
• Dedicated Relationship Manager service fee	0.189	NA
• Cyber Security Operation Center	0.360	NA
• Oracle Software Maintenance	0.905	NA

2. MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or any controlling shareholder of the Company has been entered into by the Company or any of its subsidiary companies, and no such contract subsisted as at 31 December 2018, save as disclosed above, in the Directors' Statement and in the financial statements for FY2018.

SHAREHOLDING STATISTICS

As at 1 March 2019

CLASS OF SHARES

Ordinary shares

VOTING RIGHTS

1 vote per share (other than treasury shares and subsidiary holdings, which are treated as having no voting rights)

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 99	44	2.44	993	0.00
100 – 1,000	861	47.83	619,002	0.13
1,001 – 10,000	648	36.00	2,471,349	0.52
10,001 – 1,000,000	237	13.17	18,518,780	3.91
1,000,001 and above	10	0.56	451,708,945	95.44
Total	1,800	100.00	473,319,069	100.00

Number of issued shares : 473,319,069
Number of treasury shares : Nil
Number of subsidiary holdings : Nil
Percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares : Nil

Note:
"Subsidiary holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Oversea-Chinese Bank Nominees Private Limited	416,030,959	87.90
2	HSBC (Singapore) Nominees Pte Ltd	10,459,375	2.21
3	DBS Nominees (Private) Limited	6,302,848	1.33
4	Citibank Nominees Singapore Pte Ltd	5,856,175	1.24
5	Wong Hong Sun	3,164,000	0.67
6	Kuchai Development Berhad	3,032,000	0.64
7	Wong Hong Yen	2,889,668	0.61
8	Sungei Bagan Rubber Company (Malaya) Berhad	1,733,120	0.37
9	Shaw Vee Meng	1,204,000	0.25
10	Shaw Vee Foong	1,036,800	0.22
11	Yeo Kok Seng	803,800	0.17
12	Maybank Kim Eng Securities Pte Ltd	763,400	0.16
13	Lee Hak Heng	728,150	0.15
14	Raffles Nominees (Pte.) Limited	540,707	0.11
15	United Overseas Bank Nominees (Private) Limited	515,260	0.11
16	Yeap Holdings (Pte.) Limited	487,238	0.10
17	Svasti Daniel Yoke Kwong Patanadej	469,540	0.10
18	The Estate of Alan Loke (Deceased)	455,094	0.10
19	OCBC Securities Private Limited	451,902	0.10
20	Svasti Penny Baninadh Ping Yean	443,220	0.09
Total		457,367,256	96.63

SHAREHOLDING STATISTICS

As at 1 March 2019

Substantial Shareholder	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total No. of Shares	%
Oversea-Chinese Banking Corporation Limited	416,010,959[1]	–	416,010,959	87.90

Note:

[1] Shares registered in the name of Oversea-Chinese Bank Nominees Private Limited.

Based on information available to the Company as at 1 March 2019, approximately 12% of the issued ordinary shares of the Company are held by the public, and therefore Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

FURTHER INFORMATION ON DIRECTORS

KOH BENG SENG

Current Directorships (and Appointments)

1.	Great Eastern General Insurance Limited	Chairman
2.	The Great Eastern Life Assurance Company Limited	Chairman
3.	Bank of China (Hong Kong) Limited	Director
4.	BOC Hong Kong (Holdings) Limited*	Director
5.	Octagon Advisors Pte. Ltd.	Chief Executive Officer

Directorships (and Appointments) for the past 5 years

1.	Hon Sui Sen Endowment CLG Limited	Director
2.	Singapore Technologies Engineering Ltd*	Director
3.	Sing-Han International Financial Services Ltd	Director
4.	United Engineers Limited*	Director

Academic and Professional Qualifications

Bachelor of Commerce (First Class Honours), former Nanyang University, Singapore
Master of Business Administration, Columbia University, USA

Board Committees Served On

Chairman, Executive Committee
Chairman, Risk Management Committee
Member, Nominating Committee
Member, Remuneration Committee

Date of First Appointment

Director since 2 January 2008
Chairman since 1 September 2014

Date of Last Re-election

19 April 2018

Length of Service

11 years 2 months

Independent Status

Non-executive and non-independent director

Country of Principal Residence

Singapore

NORMAN IP

Current Directorships (and Appointments)

1.	Far Island Bay Sdn Bhd	Chairman
2.	Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3.	Great Eastern General Insurance (Malaysia) Berhad	Chairman
4.	Great Eastern Life Assurance (Malaysia) Bhd	Chairman
5.	I Great Capital Holdings Sdn Bhd	Chairman
6.	Overseas Assurance Corporation (Holdings) Bhd	Chairman
7.	WBL Corporation Limited	Chairman
8.	AIMS AMP Capital Industrial REIT Management Limited*	Director
9.	Great Eastern General Insurance Limited	Director
10.	Great Eastern Takaful Bhd	Director
11.	Lion Global Investors Limited	Director
12.	The Great Eastern Life Assurance Company Limited	Director
13	United Engineers Limited*	Senior Adviser
14	Building and Construction Authority	Member/ Deputy Chairman
15.	Securities Industry Council	Member

Directorships (and Appointments) for the past 5 years

1.	Malaysia Smelting Corporation Limited	Chairman
2.	UE E&C Limited	Director
3.	United Engineers Limited*	Director/ Group Managing Director

Academic and Professional Qualifications

Bachelor of Science (Economics), London School of Economics and Political Science
Fellow of the Institute of Chartered Accountants in England and Wales
Fellow of the Institute of Singapore Chartered Accountants

Board Committees Served On

Member, Nominating Committee
Member, Risk Management Committee

Date of First Appointment

5 March 2010

Date of Last Re-election

18 April 2017

* Listed company

NORMAN IP (CONTINUED)

Length of Service

9 years

Independent Status

Non-executive and non-independent director

Country of Principal Residence

Singapore

The Board's comments on the re-election

Mr Norman Ip is a chartered accountant with over 33 years of experience in auditing, accounting, treasury, investments and taxation and managing a listed company with diversified businesses in real estate, mining and hospitality in Singapore and Malaysia. Mr Ip's extensive knowledge in these areas, his past experience within the Great Eastern Group and his useful contributions during board and board committee deliberations continue to make him invaluable to the Great Eastern Group.

LAW SONG KENG

Current Directorships (and Appointments)

1.	Concord Insurance Company Limited	Chairman
2.	Frasers Hospitality Asset Management Pte. Ltd.	Chairman
3.	Frasers Hospitality Trust Management Pte. Ltd.	Chairman
4.	ACR Capital Holdings Pte. Ltd.	Director
5.	Asia Capital Reinsurance Group Pte. Ltd.	Director
6.	Asia Capital Reinsurance Malaysia Sdn Bhd	Director
7.	IFS Capital Limited*	Director

Directorships (and Appointments) for the past 5 years

1.	ECICS Limited	Director

Academic and Professional Qualifications

Bachelor of Science (First Class Honours in Mathematics), University of Singapore
Master of Science (Actuarial Science), Northeastern University, USA
Fellow of the Society of Actuaries, USA

Board Committees Served On

Member, Audit Committee
Member, Executive Committee
Member, Risk Management Committee

Date of First Appointment

1 January 2013

Date of Last Re-election

19 April 2018

Length of Service

6 years 2 months

Independent Status

Independent director

Country of Principal Residence

Singapore

* Listed company

FURTHER INFORMATION ON DIRECTORS

LEE FOOK SUN

Current Directorships (and Appointments)

1. Ensign Infosecurity Pte. Ltd.	Chairman
2. Ensign Infosecurity (Cybersecurity) Pte. Ltd. *(formerly known as Quann World Pte. Ltd.)*	Chairman
3. SMRT Trains Ltd.	Deputy Chairman
4. SMRT Corporation Ltd	Director
5. Building and Construction Authority	Chairman
6. DSO National Laboratories	Director
7. Temasek International Advisors Pte. Ltd.	Corporate Adviser

Directorships (and Appointments) for the past 5 years

1. ST Electronics (Info-Comm Systems) Pte. Ltd.	Chairman
2. ST Electronics (Info-Security) Pte. Ltd.	Chairman
3. ST Electronics (Info-Software Systems) Pte. Ltd.	Chairman
4. ST Electronics (Satcom & Sensor Systems) Pte. Ltd.	Chairman
5. ST Electronics (Satellite Systems) Pte. Ltd.	Chairman
6. ST Electronics (Training & Simulation Systems) Pte. Ltd.	Chairman
7. VT iDirect Inc.	Co-Chairman
8. Singapore Technologies Dynamics Pte Ltd	Director
9. ST Engineering Management Services Pte. Ltd.	Director
10. ST Electronics (Shanghai) Co., Ltd	Director
11. Vision Technologies Electronics, Inc	Director
12. Vision Technologies Kinetics, Inc	Director
13. Singapore Technologies Electronics Limited*	Alternate Director
14. ST Engineering Electronics Ltd.	Chief Executive Officer

Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Oxford (UK)
Master of Arts (Engineering Science), University of Oxford (UK)
Attended the Stanford University Executive Programme

Board Committees Served On

Chairman, Nominating Committee
Chairman, Remuneration Committee
Member, Executive Committee

Date of First Appointment

1 August 2017

Date of Last Re-election

19 April 2018

Length of Service

1 year 7 months

Independent Status

Independent director

Country of Principal Residence

Singapore

* Listed company

FURTHER INFORMATION ON DIRECTORS

KYLE LEE KHAI FATT

Current Directorships (and Appointments)

1.	CapitaLand Mall Trust Management Limited	Director
2.	ComfortDelgro Corporation Limited*	Director
3.	FEO Hospitality Asset Management Pte. Ltd.	Director
4.	FEO Hospitality Trust Management Pte. Ltd.	Director
5.	The Great Eastern Life Assurance Company Limited	Director

Directorships (and Appointments) for the past 5 years

1.	MFS Technology Ltd*	Chairman
2.	Jurong International Holdings Pte. Ltd.	Director
3.	WBL Corporation Limited	Director
4.	National Art Gallery – Audit Committee	Member

Academic and Professional Qualifications

Bachelor of Arts (Honors) in Business Studies, Council of National Academic Awards, Polytechnic of the South Bank London
Master of Business Administration, University of London, Imperial College of Science, Technology and Medicine
Master of Science (Distinction) in International Management, University of London, The School of Oriental and African Studies
Fellow of the Institute of Chartered Accountants in England and Wales
Fellow of the Institute of Singapore Chartered Accountants
Fellow of the Singapore Institute of Directors

Board Committees Served On

Chairman, Audit Committee
Member, Nominating Committee

Date of First Appointment

1 July 2014

Date of Last Re-election

18 April 2017

Length of Service

4 years 8 months

Independent Status

Independent director

Country of Principal Residence

Singapore

The Board's comments on the re-election

Mr Kyle Lee Khai Fatt has close to 36 years of experience in audit and business advisory services, having worked in both the United Kingdom and Singapore. Mr Lee's extensive knowledge in auditing and business advisory work and useful contributions during board and board committee deliberations continue to make him invaluable to the Great Eastern Group.

SOON TIT KOON

Current Directorships (and Appointments)

1.	OCBC Wing Hang Bank Limited	Director
2.	SPH REIT Management Pte. Ltd.	Director
3.	Wah Hin & Company Private Limited	Director

Directorships (and Appointments) for the past 5 years

1	AVIC Trust Co., Ltd	Director
2.	Bank of Ningbo Co., Ltd.	Director
3.	WBL Corporation Limited	Director

Academic and Professional Qualifications

Bachelor of Science (Honours) in Applied Chemistry, University of Singapore
Master of Business Administration, University of Chicago, USA
Advanced Management Program, Harvard Business School

Board Committees Served On

Member, Risk Management Committee

Date of First Appointment

1 January 2016

Date of Last Re-election

19 April 2018

Length of Service

3 years 2 months

Independent Status

Independent director

Country of Principal Residence

Singapore

* Listed company

FURTHER INFORMATION ON DIRECTORS

TEOH LIAN EE

Current Directorships (and Appointments)

1. Asian Healthcare Investment Pte Ltd	Director
2. Tsao Foundation	Director

Directorships (and Appointments) for the past 5 years

1. Rajah & Tann Singapore LLP	Consultant

Academic and Professional Qualifications

Bachelor of Laws (Second Upper Class Honours), University of Singapore
Master of Laws (Second Upper Class Honours), University of Singapore

Board Committees Served On

Member, Audit Committee

Date of First Appointment

1 August 2017

Date of Last Re-election

19 April 2018

Length of Service

1 year 7 months

Independent Status

Independent director

Country of Principal Residence

Singapore

THEAN NAM YEW

Current Directorships (and Appointments)

–

Directorships (and Appointments) for the past 5 years

-

Academic and Professional Qualifications

Bachelor of Electrical and Electronic Engineering (First Class Honours), University of Melbourne Australia
Advanced Business Management Programme, Kellogg Graduate School of Management, Northwestern University, Illinois, USA

Board Committees Served On

Member, Audit Committee
Member, Executive Committee

Date of First Appointment

5 January 2017

Date of Last Re-election

18 April 2017

Length of Service

2 years 2 months

Independent Status

Independent director

Country of Principal Residence

Singapore

* Listed company

FURTHER INFORMATION ON DIRECTORS

SAMUEL N. TSIEN

Current Directorships (and Appointments)

1.	OCBC Wing Hang Bank (China) Limited	Chairman
2.	Bank of Singapore Limited	Director
3.	Mapletree Investments Pte Ltd	Director
4.	OCBC Bank (Malaysia) Bhd	Director
5.	OCBC Overseas Investments Pte Ltd	Director
6.	OCBC Wing Hang Bank Ltd	Director
7.	Oversea-Chinese Banking Corporation Limited *	Executive Director and Group Chief Executive Officer
8.	PT Bank OCBC NISP Tbk*	Commissioner
9.	Association of Banks in Singapore	Vice Chairman
10.	Institute of Banking and Finance	Vice Chairman/ Chairman of Standards Committee
11.	Dr Goh Keng Swee Scholarship Fund	Director
12.	International Monetary Conference	Director
13.	Advisory Board of the Asian Financial Leaders Programme	Member
14.	MAS Financial Sector Tripartite Committee	Member
15.	MAS Financial Centre Advisory Panel	Member/ Chairman of China Workgroup
16.	MAS Payments Council	Member

Directorships (and Appointments) for the past 5 years

1.	ASEAN Finance Corporation Limited	Director
2.	Great Eastern General Insurance Limited	Director
3.	Mapletree Commercial Trust Management Ltd	Director
4.	OCBC Al-Amin Bank Berhad	Director
5.	OCBC Pearl Limited	Director
6.	ABS Benchmarks Administration Co. Pte. Ltd. – Oversight Committee	Member
7.	Advisory Council on Community Relations in Defence (Employer & Business)	Member
8.	Malaysia-Singapore Business Council	Member
9.	Singapore Business Federation – Finance and Investment Committee	Council Member

Academic and Professional Qualifications

Bachelor of Arts with Honours in Economics, University of California, Los Angeles, USA

Board Committee Served On

Member, Executive Committee
Member, Nominating Committee
Member, Risk Management Committee

Date of First Appointment

15 April 2012

Date of Last Re-election

18 April 2017

Length of Service

6 years 11 months

Independent Status

Non-executive and non-independent director

Country of Principal Residence

Singapore

The Board's comments on the re-election

Mr Samuel Tsien has the appropriate skills and experience in finance, banking and business management which enables him to contribute to the effectiveness of the Board and complement the skills, knowledge and expertise of the existing Board members. His active participation during board and board committee discussions will continue to make him invaluable to the Great Eastern Group.

* Listed company

FURTHER INFORMATION ON DIRECTORS

WEE JOO YEOW

Current Directorships (and Appointments)

1.	Frasers Property Limited *	Director
2.	Mapletree Industrial Trust Management Ltd.	Director
3.	OCBC Management Services Private Limited	Director
4.	Oversea-Chinese Banking Corporation Limited*	Director
5.	PACC Offshore Services Holdings Ltd.*	Director
6.	WJY Holdings Private Limited	Director
7.	WTT Investments Pte Ltd	Director

Directorships (and Appointments) for the past 5 years

–

Academic and Professional Qualifications

Bachelor of Business Administration (Honours), University of Singapore
Master of Business Administration, New York University, USA

Board Committees Served On

Member, Nominating Committee
Member, Remuneration Committee

Date of First Appointment

1 January 2016

Date of Last Re-election

19 April 2016

Length of Service

3 years 2 months

Independent Status

Non-executive and non-independent director

Country of Principal Residence

Singapore

The Board's comments on the re-election

Mr Wee Joo Yeow has more than 39 years of corporate banking experience. His extensive experience in the financial sector and useful contributions during board and board committee deliberations continue to make him invaluable to the Great Eastern Group.

INFORMATION REQUIRED UNDER RULE 720(6) OF THE LISTING MANUAL OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

The Directors seeking re-election at the Twentieth Annual General Meeting ("AGM"), namely, Mr Norman Ip, Mr Kyle Lee Khai Fatt, Mr Samuel N. Tsien and Mr Wee Joo Yeow, have each:

- Provided an undertaking in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST).
- Confirmed that he has no relationship (including immediate family relationships) with an existing director, existing executive officer, the Company and/or any substantial shareholder of the Company or any of its principal subsidiaries.
- Confirmed that he has no conflict of interest (including any competing business).
- Confirmed that there is no change to his responses previously disclosed under items (a) to (k) of Appendix 7.4.1 of the Listing Manual**, which were all "No", save that Mr Wee Joo Yeow responded "Yes" to item (k) of Appendix 7.4.1, and disclosed that the Monetary Authority of Singapore had on 6 February 2014 issued a supervisory warning to him to comply with Section 133 of the Securities and Futures Act (Chapter 289 of Singapore) and other applicable laws and regulations at all times as, due to an inadvertent oversight, he had, on his appointment on 2 January 2014 to the board of a company listed on the SGX-ST, omitted to disclose some of his interest in shares in that listed company within the prescribed time period.

The shareholding interest in the Company and its subsidiaries (if any) of each of these Directors are disclosed in the "Directors' Statement" on pages 106 and 107.

Further information required under Rule720(6) of the SGX-ST for Directors seeking re-election at the Company's AGM are disclosed in the "Board of Directors" on pages 16 to 20 and "Further Information of Directors" on pages 246 to 252.

* Listed company

** The Appendix 7.4.1 information was announced on 5 March 2010 (Mr Norman Ip), 18 June 2014 (Mr Kyle Lee Khai Fatt), 22 March 2012 (Mr Samuel N. Tsien) and 8 December 2015 (Mr Wee Joo Yeow), in connection with their appointment as Directors of the Company.

MANAGEMENT TEAM

GROUP AND SINGAPORE

Great Eastern Holdings Limited
The Great Eastern Life Assurance Company Limited
Great Eastern General Insurance Limited

Khor Hock Seng
Group Chief Executive Officer

Ronnie Tan
Group Chief Financial Officer

Raymond Ong
Group Chief Risk Officer

Colin Chan
Managing Director, Group Marketing

Ben Tan Tiong Kheng
Managing Director, Regional Agency/ FA/ Bancassurance

Jimmy Tong
Managing Director, General and Group Insurance

Dato Koh Yaw Hui
Chief Executive Officer (Malaysia)

Wee Ai Ning
Group Chief Investment Officer

Gary Teh *(with effect from 10 January 2019)*
Managing Director,
Group Information Technology

Patrick Kok
Managing Director, Group Operations

Chin Wee Cheak
Head, Group Audit

Jennifer Wong Pakshong
Group Company Secretary and General Counsel

James Lee
Managing Director,
Group Human Capital

Ryan Cheong Kwok Leong
Managing Director, Strategy & Transformation

Clement Lien Cheong Kiat
Chief Executive Officer (Indonesia)

Jesslyn Tan
Chief Executive Officer,
Great Eastern Financial Advisers

Chan Keng Hong
Head, Group Product Management

Cheung Kwok Kei
Appointed Actuary & Head of Actuarial

Leow Yung Khee (Dr)
Head, Group Insurance and Claims

Hong Siu Ming
Head, Business Partner,
Group Human Capital

Tan Seck Geok
Head, Corporate Communications

Claudia Soh
Chief Internal Auditor

Wendy Anne Teo
Deputy General Counsel

MALAYSIA

Great Eastern Life Assurance (Malaysia) Berhad

Dato Koh Yaw Hui
Chief Executive Officer
Acting Chief Investment Officer

Song Hock Wan
Chief Agency Officer

Nicholas Kua Choo Ming
Chief Marketing Officer

Jeffrey Yem Voon Cheat
Chief Operations Officer

Cheong Soo Ching
Chief Risk Officer

Loke Chang Yueh
Chief Financial Officer

Chan Chee Wei
Head, Bancassurance

Vincent Chin Kok Lean
Head, Information Technology

Dennis Tan Koh Tiong
Head, Human Capital

Leslie Chow Khee Leong
Head, Group Insurance – Employee Benefits

Foong Chee Kwan
Head, Group Insurance – Affinity

Audra Chung Kit Li
Chief Internal Auditor

Chan Chia Khow
Appointed Actuary

Liza Hanim Binti Zainal Abidin
Company Secretary, Secretariat & Legal

MANAGEMENT TEAM

Great Eastern General Insurance (Malaysia) Berhad

Ng Kok Kheng
Chief Executive Officer

Lee Pooi Hor
Chief Operations Officer

Chong Kah Lay
Head, Corporate Distribution

Goh Ching On
Head, Claims Management

Khoo Sook Hooi
Chief Financial Officer

Wong Eng Yan
Head, Underwriting and Central Processing Unit

Chong Wan Leng
Appointed Actuary

Great Eastern Takaful Berhad

Shahrul Azlan Shahriman
Chief Executive Officer

Allen Tan Chee Keong
Head, Operations

Norizan Yahya
Head, Agency Distribution

Tengku Sheila Tengku Azib
Head, Brand & Marketing Communications

Razali Kipli
Head, Human Capital

Mohd Khalid Khairullah
Appointed Actuary

Jasveen Kaur Marne
Chief Financial Officer

INDONESIA

PT Great Eastern Life Indonesia

Clement Lien Cheong Kiat
President Director & CEO

Fauzi Arfan
Technical and Finance Director

Nina Ong
Bancassurance Director

Yungki Aldrin
Human Capital and Compliance Director

Chang Yeong Kiat
Technical Advisor, Affinity

Mara Umar
Head, Product

Jason Wong Soon Keat
Technical Advisor, Group Insurance

BRUNEI

The Great Eastern Life Assurance Company Limited

Thomas Thian
Head

CHINA

The Great Eastern Life Assurance Company Limited Beijing Representative Office

Ryan Cheong Kwok Leong
Authorised Representative

Ada Zhou
Chief Representative

MYANMAR

The Great Eastern Life Assurance Co., Ltd. Myanmar Representative Office

Jimmy Tong
Chief Representative

GROUP NETWORK

SINGAPORE

Great Eastern Holdings Limited

The Great Eastern Life Assurance Company Limited

Great Eastern General Insurance Limited

1 Pickering Street #01-01
Great Eastern Centre
Singapore 048659
Tel: +65 6248 2000
Fax: +65 6532 2214
Website: www.greateasternlife.com
E-mail: wecare-sg@greateasternlife.com

Service Centres for Financial Representatives
Great Eastern @ Changi
200 Changi Road #01-03
Singapore 419734
(Relocating to Paya Lebar Quarter Tower 3 in July 2019)

Great Eastern House
49 Beach Road #01-01
Singapore 189685

Great Eastern @ Westgate
1 Gateway Drive
Westgate Tower #18-00
Singapore 608531

Great Eastern Financial Advisers Private Limited

1 Pickering Street #01-01
Great Eastern Centre
Singapore 048659
Tel: +65 6248 2121
Fax: +65 6327 3073
Website: www.greateasternfa.com.sg
E-mail: contact_us@greateasternfa.com.sg

Lion Global Investors Limited

65 Chulia Street #18-01
OCBC Centre
Singapore 049513
Tel: +65 6417 6800
Fax: +65 6417 6801
Website: www.lionglobalinvestors.com
E-mail: contactus@lionglobalinvestors.com

MALAYSIA

Great Eastern Life Assurance (Malaysia) Berhad

Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +603 4259 8888
Fax: +603 4259 8000
Website: www.greateasternlife.com
E-mail: wecare-my@greateasternlife.com

Branch Offices

Alor Setar
66 & 68 Jalan Teluk Wanjah
05200 Alor Setar, Kedah
Malaysia
Tel: +604 731 9877
Fax: +604 731 9878

Batu Pahat
109, Jalan Rahmat,
83000 Batu Pahat, Johor
Malaysia
Tel: +607 432 5562
Fax: +607 432 5560

Bintulu
No 313, Lot 3956, Phase 4
Bintulu Parkcity Commerce Square
Jalan Tun Ahmad Zaidi /
Jalan Tanjung Batu
97000 Bintulu, Sarawak
Malaysia
Tel: +6086 336 676
Fax: +6086 332 601

Ipoh
Wisma Great Eastern
No 16, Persiaran Tugu
Greentown Avenue
30450 Ipoh, Perak
Malaysia
Tel: +605 254 2027
Fax: +605 255 5578

Johor Bahru
Wisma Great Eastern
02-01, Blok A, Komersial Southkey Mozek,
Persiaran Southkey 1,
Kota Southkey
80150 Johor Bahru
Malaysia
Customer Service Careline: 1300-1300 88

Klang
No.8 & 10 Jalan Tiara 2A
Bandar Baru Klang
41150 Klang, Selangor
Malaysia
Tel: +603 3343 6688
Fax: +603 3341 3398

Kluang
No 22 & 24
Jalan Md Lazim Saim
86000 Kluang, Johor
Malaysia
Tel: +607 772 3529
Fax: +607 772 3449

Kota Bharu
No. S25 /5252-T & U
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Malaysia
Tel: +609 748 2332
Fax: +609 744 9701

Kota Kinabalu
Wisma Great Eastern
Level 4 & 5
No. 65 Jalan Gaya
88000 Kota Kinabalu, Sabah
Malaysia
Tel: +6088 252 033
Fax: +6088 210 437

Kuala Terengganu
2nd Floor, 6F
Bangunan Persatuan Hin Ann
Jalan Air Jernih
20300 Kuala Terengganu
Malaysia
Tel: +609 622 4959
Fax: +609 626 5195

GROUP NETWORK

Kuantan
A25 Jalan Dato Lim Hoe Lek
25200 Kuantan, Pahang
Malaysia
Tel: +609 515 7666
Fax: +609 515 8477

Kuching
House No 51, Lot 435,
Section 54,
KTLD Travilion Commercial Centre
Jalan Padungan
93100 Kuching, Sarawak
Malaysia
Tel: +6082 412 736
Fax: +6082 426 684

Lahad Datu
Ground & 1st Floor,
MDLD 3804, Lot 66
Fajar Centre, Jalan Segama
91100 Lahad Datu, Sabah
Malaysia
Tel: +6089 884 136
Fax: +6089 884 226

Melaka
No.23 Jalan PM 15,
Plaza Mahkota
75000 Melaka
Malaysia
Tel: +606 282 4577
Fax: +606 283 4579

Miri
Lots 1260 & 1261,Block 10, M.C.L.D
Jalan Melayu
98000 Miri, Sarawak
Malaysia
Tel: +6085 413 299
Fax: +6085 417 518

Penang
25, Light Street
10200 Penang
Malaysia
Tel: +604 262 2141
Fax: +604 262 2140

Sandakan
Lot 5 & 6, Block 40, Lorong Indah 15,
Bandar Indah Phase 7, Mile 4,
North Road,
90000 Sandakan, Sabah
Malaysia
General Line: +6089 213 484
General Fax Line: +6089 271 343

Seremban
101 & 103
Jalan Yam Tuan
70000 Seremban
Negeri Sembilan
Malaysia
Tel: +606 763 6120
Fax: +606 763 1480

Sibu
No. 10 A-F, Wisma Great Eastern
Persiaran Brooke
96000 Sibu, Sarawak
Malaysia
Tel: +6084 312 829
Fax: +6084 333 925

Taiping
133A Jalan Barrack
34000 Taiping
Perak
Malaysia
Tel: +605 805 1021
Fax: +605 805 1023

Tawau
Ground Floor, Wisma Great Eastern
Jalan Billian,
91000 Tawau, Sabah
Malaysia
Tel: +6089 771 322
Fax: +6089 762 341

Great Eastern General Insurance (Malaysia) Berhad

Menara Great Eastern
Level 18, 303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +603 4259 8888
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www.greateasterngeneral.com
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greateasterngeneral.com

Branch Offices

Kuala Lumpur
Menara Great Eastern
Level 18, 303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: 1300-1300 88
Fax: +603 4813 0088

Alor Setar
Level 1, 69 & 70
Jalan Teluk Wanjah
05200 Alor Setar, Kedah
Malaysia
Tel: +604 734 6515
Fax: +604 734 6516

Ipoh
Wisma Great Eastern
Level 2, No.16, Persiaran Tugu
Greentown Avenue
30450 Ipoh, Perak
Malaysia
Tel: +605 253 6649
Fax: +605 255 3066

Johor Bahru
Wisma Great Eastern, 03-01 Blok A
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru, Johor
Malaysia
Tel: +607 336 9899
Fax: +607 336 9869

Klang
3rd Floor, No. 10 Jalan Tiara 2A
Bandar Baru Klang
41150 Klang, Selangor
Malaysia
Tel: +603 3345 1027
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Kota Bharu
No. S25 / 5252-S Tingkat 1
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Malaysia
Tel: +609 748 2698
Fax: +609 744 8533

GROUP NETWORK

Kota Kinabalu
Suite 6.3, Level 6
Wisma Great Eastern
No. 65, Jalan Gaya,
88000 Kota Kinabalu, Sabah
Malaysia
Tel: +6088 235 636
Fax: +6088 248 879

Kuantan
Level 1, No. A25,
Jalan Dato' Lim Hoe Lek
25200 Kuantan, Pahang
Malaysia
Tel: +609 516 2849
Fax: +609 516 2848

Kuching
No. 51, Level 3,
Lot 435, Section 54 KTLD
Travilion Commercial Centre
Jalan Padungan
93100 Kuching, Sarawak
Malaysia
Tel: +6082 420 197
Fax: +6082 248 072

Melaka
No. 2-23, Jalan PM 15
Plaza Mahkota
75000 Melaka
Malaysia
Tel: +606 284 3297
Fax: +606 283 5478

Penang
Suite 2-3 Level 2
25 Lebuh Light
10200 Pulan Pinang
Malaysia
Tel: +604 261 9361
Fax: +604 261 9058

Seremban
103-2 Jalan Yam Tuan
70000 Seremban
Negeri Sembilan
Malaysia
Tel: +606 764 9082
Fax: +606 761 6178

Sibu
Wisma Great Eastern
Level 2, No. 10 A-F
Persiaran Brooke
96000 Sibu, Sarawak
Tel: +6084 328 392
Fax: +6084 326 392

Great Eastern Takaful Berhad (916257-H)

Level 3, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +603 4259 8338
Fax: +603 4259 8808
Website: www.greateasterntakaful.com
E-mail: i-greatcare@greateasterntakaful.com

Agency Synergy Stations

Alor Star
No. 18-D1 & D2,
Lebuhraya Darulaman,
05100 Alor Star, Kedah

Kota Bharu
Lot 360 tingkat 1,
Jalan Seri Cemerlang,
Seksyen 27,
15300 Kota Bharu Kelantan

INDONESIA

PT Great Eastern Life Indonesia

Menara Karya, 5th Floor
Jl. H.R. Rasuna Said, Blok X-5 Kav. 1-2
Jakarta Selatan 12950
Indonesia
Tel: +6221 2554 3800
Fax: +6221 5794 4717
Website: www.greateasternlife.com
E-mail: wecare-ID@greateasternlife.com

BRUNEI

The Great Eastern Life Assurance Company Limited

Unit 17/18, Block B
Bangunan Habza
Spg 150, Kpg. Kiarong
Bandar Seri Begawan BE1318
Negara Brunei Darussalam
Tel: +673 223 3118
Fax: +673 223 8118
Website: www.greateasternlife.com
E-mail: wecare-bn@greateasternlife.com

CHINA

The Great Eastern Life Assurance Company Limited

(Beijing Representative Office)
Room 901
China Garments Mansion
No. 99 Jianguo Rd
Beijing 100020
People's Republic of China
Tel: +8610 6581 5501
Fax: +8610 6583 8727

MYANMAR

The Great Eastern Life Assurance Company Limited

(Myanmar Representative Office)
Level 3, Unit No. 03-09
Union Business Centre
Nat Mauk Road, Bo Cho Quarter
Bahan Township, Yangon
Myanmar
Tel/Fax: +951 860 3384

NOTICE OF ANNUAL GENERAL MEETING

GREAT EASTERN HOLDINGS LIMITED
(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 199903008M)

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of Great Eastern Holdings Limited (the "Company") will be held at 1 Pickering Street, #02-02 Great Eastern Centre, Singapore 048659 on Thursday, 18 April 2019 at 3.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1 To receive and adopt the Directors' Statement and the audited Financial Statements for the financial year ended 31 December 2018 and the Auditor's Report thereon.

2 To approve a final one-tier tax exempt dividend of 50 cents per ordinary share in respect of the financial year ended 31 December 2018.

3 To re-elect the following Directors retiring by rotation under Article 97 of the Company's Constitution and who, being eligible, offer themselves for re-election:

(i) Mr Norman Ip
(ii) Mr Kyle Lee Khai Fatt
(iii) Mr Samuel N. Tsien
(iv) Mr Wee Joo Yeow

4 To approve Directors' fees of S$2,263,000 for the financial year ended 31 December 2018 (2017: S$2,143,000).

5 To re-appoint Messrs Ernst & Young LLP as Auditor and to authorise the Directors to fix its remuneration.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions, which will be proposed as Ordinary Resolutions:

6 That authority be and is hereby given to the Directors of the Company to:

(a) (i) issue shares of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

on a *pro rata* basis to shareholders of the Company, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

  (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

  (ii) any subsequent bonus issue, consolidation or subdivision of shares,

  and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

7 That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares as may be required to be allotted and issued pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme.

By Order of the Board

JENNIFER WONG PAKSHONG
Company Secretary

Singapore
26 March 2019

EXPLANATORY NOTES

Resolutions 3(i), (ii), (iii) and (iv)

Resolutions 3(i), (ii), (iii) and (iv) are to re-elect Directors who are retiring by rotation under Article 97 of the Company's Constitution. Please refer to the "Board of Directors" section, the "Board Composition and Independence" section in the Corporate Governance Report and the "Further Information on Directors" section on pages 16, 88 and 246 respectively in the Annual Report 2018 for information on these Directors (including information as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST).

Resolution 5

Resolution 5 is to re-appoint Ernst & Young LLP as Auditor of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix its remuneration.

Ernst & Young LLP has served as the Company's external auditor since its incorporation in 1999. In line with good corporate governance practice, the Audit Committee has nominated PricewaterhouseCoopers LLP for appointment as the Company's external auditor in place of Ernst & Young LLP for the financial year ending 31 December 2020. The nomination was made following a tender process based on an established framework for the selection of external auditor. Subject to the requisite approvals, notices, clearances and consents being obtained, the proposed appointment will be presented for shareholders' approval at the 2020 Annual General Meeting. Please refer to the "Audit Committee" section in the Corporate Governance Report on page 96 of the Annual Report 2018 for more details.

Resolution 6

Resolution 6 is to authorise the Directors of the Company from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue shares of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares on a *pro rata* basis to shareholders of the Company, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings). For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) at the time this proposed Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this proposed Ordinary Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. For the avoidance of doubt, any consolidation or subdivision of shares of the Company will require shareholders' approval. The Directors will only issue shares and instruments under this Resolution if they consider it necessary and in the interests of the Company. As at 1 March 2019, the Company had no treasury shares and no subsidiary holdings.

Resolution 7

Resolution 7 is to authorise the Directors of the Company to issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies (a form is enclosed) must be deposited with the Company, c/o The Great Eastern Life Assurance Company Limited, 1 Pickering Street, #01-01 Great Eastern Centre, Singapore 048659, not less than 72 hours before the time set for holding the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR DIVIDEND

Subject to the approval of the shareholders to the final one-tier tax exempt dividend at the Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 25 April 2019 for the purpose of determining the entitlement of shareholders to the recommended final one-tier tax exempt dividend of 50 cents per ordinary share. Duly completed registrable transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 p.m. on 24 April 2019 will be registered to determine shareholders' entitlement to the proposed dividend. Subject to the aforesaid, shareholders whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 24 April 2019 will be entitled to the proposed dividend.

The final one-tier tax exempt dividend, if approved by shareholders, will be paid on 8 May 2019.

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IMPORTANT:

Multiple Proxies

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.

CPF/SRS Investors

2. For CPF/SRS investors who have used their CPF/SRS monies to buy Great Eastern Holdings Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/ SRS Operators if they have any queries regarding their appointment as proxies.

Personal Data

3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 26 March 2019.

PROXY FORM

GREAT EASTERN HOLDINGS LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 199903008M)

I/We, ______________________________

NRIC/Passport/Company Registration No. ______________________________

of ______________________________

being a member/members of Great Eastern Holdings Limited (the "Company"), hereby appoint

Name	Address	NRIC/ Passport No.	No. of Shares Represented	Proportion of Shareholdings (%)

and/or (delete as appropriate)

or, failing whom, the Chairman of the Annual General Meeting ("AGM") of the Company as my/our proxy/proxies to attend, speak and vote for me/us and on my/our behalf at the AGM of the Company to be held at 1 Pickering Street, #02-02 Great Eastern Centre, Singapore 048659 on Thursday, 18 April 2019 at 3.00 p.m. and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Ordinary Resolutions:	For	Against
	ORDINARY BUSINESS		
1	Adoption of Directors' Statement, 2018 audited Financial Statements and Auditor's Report		
2	Approval of a final one-tier tax exempt dividend of 50 cents per ordinary share		
3(i)	Re-election of Mr Norman Ip		
3(ii)	Re-election of Mr Kyle Lee Khai Fatt		
3(iii)	Re-election of Mr Samuel N. Tsien		
3(iv)	Re-election of Mr Wee Joo Yeow		
4	Approval of Directors' fees of S$2,263,000 in respect of financial year 2018		
5	Re-appointment of Messrs Ernst & Young LLP as Auditor and authorisation for Directors to fix its remuneration		
	SPECIAL BUSINESS		
6	Authority for Directors to allot and issue shares and make or grant instruments convertible into shares		
7	Authority for Directors to allot and issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme		

Note: Voting will be conducted by poll.

Total Number of Shares held

Dated this ____________ day of ______________ 2019

____
Signature(s) of Member(s) or Common Seal

Important: Please read Notes overleaf.

NOTES TO PROXY FORM:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. The instrument appointing a proxy or proxies must be deposited with the Company, c/o **The Great Eastern Life Assurance Company Limited, 1 Pickering Street, #01-01 Great Eastern Centre, Singapore 048659**, not less than 72 hours before the time set for holding the Annual General Meeting.

3. A proxy need not be a member of the Company.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

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5. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Annual General Meeting. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (including any related attachment) appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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Proxy Form
Annual Report 2018

Postage will be paid by addressee. For posting in Singapore only.

BUSINESS REPLY SERVICE
PERMIT NO. 01008

THE COMPANY SECRETARY
Great Eastern Holdings Limited
c/o The Great Eastern Life Assurance Company Limited
1 Pickering Street
#01-01 Great Eastern Centre
Singapore 048659

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CORPORATE INFORMATION
As at 5 March 2019

BOARD OF DIRECTORS
Koh Beng Seng, Chairman
Norman Ip
Law Song Keng
Lee Fook Sun
Kyle Lee Khai Fatt
Soon Tit Koon
Teoh Lian Ee
Thean Nam Yew
Samuel N. Tsien
Wee Joo Yeow

NOMINATING COMMITTEE
Lee Fook Sun, Chairman
Norman Ip
Koh Beng Seng
Kyle Lee Khai Fatt
Samuel N. Tsien
Wee Joo Yeow

EXECUTIVE COMMITTEE
Koh Beng Seng, Chairman
Law Song Keng
Lee Fook Sun
Thean Nam Yew
Samuel N. Tsien

AUDIT COMMITTEE
Kyle Lee Khai Fatt, Chairman
Law Song Keng
Teoh Lian Ee
Thean Nam Yew

REMUNERATION COMMITTEE
Lee Fook Sun, Chairman
Koh Beng Seng
Wee Joo Yeow

RISK MANAGEMENT COMMITTEE
Koh Beng Seng, Chairman
Norman Ip
Law Song Keng
Soon Tit Koon
Samuel N. Tsien

GROUP CHIEF EXECUTIVE OFFICER
Khor Hock Seng

GROUP COMPANY SECRETARY
Jennifer Wong Pakshong

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Facsimile: (65) 6438 3889
Website: www.greateasternlife.com
Email: wecare-sg@greateasternlife.com

SHARE REGISTRAR
M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Telephone: (65) 6228 0505

AUDITOR
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In Charge: Shekaran Krishnan
(since financial year 2018)

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Great Eastern
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(Company Reg. No. 199903008M)

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