



**Great  
is...**

**GREAT EASTERN  
HOLDINGS LIMITED**

**ANNUAL REPORT**

As a LIFE company, Great Eastern believes in  
empowering those around us to live healthier and better.

So that they can make the most out of every day.

Through our comprehensive suite of insurance  
and financial solutions,

Complemented by our innovative Live Great Programme,

We support them every step of the way.

To live life to the fullest.



**...sharing  
special moments  
that make life  
more meaningful**

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# Great is...

...capturing happy memories with my family



...running for a good cause



...going the extra mile for my customers



...sharing ice cream sundaes with my son



...delivering service with a smile



...enjoying a game of soccer with my buddies



...celebrating achievements with my colleagues

...working together to achieve success



...preparing a healthy meal with my daughter

...going on road trips with friends



...promoting active ageing to the elderly



...caring for a new pet



...a day out with my family



...bringing smiles to needy children



...teaching my son to cycle



...helping others to live great



...contributing to the community

## OUR MISSION

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

## OUR VISION

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

## ETHOS

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

## OUR CORE VALUES

Firmly guided by our core values of Integrity, Initiative and Involvement, Great Eastern remains committed to deliver a compelling and differentiated customer proposition and to be the most trusted insurance company in the region.

**initiative**

**involvement**

**integrity**



## KEY FIGURES

Performance Highlights FY2015

**S\$785**  
MILLION

PROFIT ATTRIBUTABLE  
TO SHAREHOLDERS

**S\$8,757**  
MILLION

GROSS PREMIUMS

**S\$385**  
MILLION

ECONOMIC VALUE OF  
ONE YEAR'S NEW  
BUSINESS

**S\$65,821**  
MILLION

TOTAL ASSETS

**S\$581**  
MILLION

OPERATING PROFIT  
AFTER TAX

**S\$6,230**  
MILLION

SHAREHOLDERS' FUND

**S\$11,001**  
MILLION

EMBEDDED VALUE

**55**  
CENTS

DISTRIBUTION PER SHARE<sup>1</sup>

**S\$9,580**  
MILLION

MARKET CAPITALISATION<sup>2</sup>

<sup>1</sup> This includes the interim one-tier tax exempt dividend of 10 cents per ordinary share and a final one-tier tax exempt dividend of 40 cents per ordinary share and a special one-tier tax exempt dividend of 5 cents per ordinary share.

<sup>2</sup> This is calculated using Shares Outstanding of 473,319,069 shares and last traded price in FY2015 of S\$20.24 (31 December 2015).

## LETTER FROM THE CHAIRMAN AND GROUP CEO



**KOH BENG SENG**  
Chairman

**KHOR HOCK SENG**  
Group Chief Executive Officer

“We will continue to pursue a disciplined and prudent strategy as we grow our franchise across our key markets. We plan to optimise and expand our bancassurance partnership with OCBC Bank, strengthen the capabilities and competencies of our distribution force, and proactively leverage on digital technology to improve productivity, professionalism and enhance customer experience.”

Dear Fellow Shareholders

We are pleased to report that the Group remained resilient and continued to add value to our shareholders in 2015 amid a challenging operating environment and stiffer competition. This year also witnessed volatile global financial markets and the introduction of new regulatory requirements.

We remained focused on the disciplined execution of our strategies. We expanded our product range to meet customers' needs and aspirations and strengthened our distribution capabilities. These efforts have produced good results.

A key driver of our success was our multi-channel distribution model – comprising a 20,000-strong agency force, a financial advisory firm, Great Eastern Financial Advisers and our synergistic bancassurance partnership with OCBC Bank – which we successfully harnessed to deepen and broaden market penetration.

In Singapore, sales growth was fuelled by strong performance from the bancassurance channel, while the agency channel maintained its contribution. In Malaysia, we registered good growth in both conventional and takaful regular contribution investment-linked products.

Over the past few years, we have invested significantly to improve systems and processes to boost productivity and efficiency as well as to enhance our digital and data analytics capabilities to compete more effectively in an increasingly dynamic business landscape.

Our values and beliefs define us and our strong brand is what differentiates us. Across our markets, we successfully leveraged on the strength of the Great Eastern brand to offer a differentiated and compelling customer proposition. This has resulted in greater customer affinity and loyalty, particularly in Singapore where our range of unique SG50 initiatives, launched to celebrate Singapore's milestone Golden Jubilee, was positively received by our customers.

To maintain our competitive edge, we launched innovative products, built upon our Live Great Programme and focused on operational efficiency while maintaining our commitment towards upholding high standards of corporate governance and transparency.

We continued to create long-term value for our shareholders, with operating profit in our key markets registering growth in local currency terms. Our business fundamentals remain strong as demonstrated by the "AA-" rating accorded by Standard and Poor's for the sixth consecutive year since 2010, an attestation of our sound financial position, strong capital and prudent approach to risk management.

We recognise that our success depends on the contributions of every member of the Great Eastern family. Priority was placed on investing in our people – employees and distribution force. We continually engage them as well as empower them to bring forth their best and help them realise their fullest potential.

We recognise that new regulations will continue to be introduced as regulators seek to safeguard the financial stability of the industry, while protecting customers' interests. The various initiatives we have embarked on to meet these requirements will stand us in good stead. We have also invested significant resources to strengthen our risk management capabilities as we continue to grow our business.



**S\$ 785  
MILLION  
PROFIT  
ATTRIBUTABLE  
TO SHAREHOLDERS**

### **FINANCIAL PERFORMANCE**

In 2015, the Group profit attributable to shareholders was S\$785.4 million compared with S\$878.6 million last year, mainly because

of lower non-operating profit amid less favourable financial market conditions, resulting in lower market valuations of our investment portfolios.

Operating profit of S\$581.4 million was 2% lower than last year mainly due to currency translation. Excluding the effect of currency translation, operating profit registered growth.

The Group's Total Weighted New Sales was S\$975.2 million, 8% higher than last year, underpinned by growth in Singapore and Malaysia. In Singapore, sales growth was fuelled by strong performance from the bancassurance channel while the agency channel maintained its contribution. In Malaysia, growth was driven by sales of both conventional and takaful investment-linked products.

Led by the increase in sales, New Business Embedded Value (NBEV), a measure of long-term economic profitability, rose 3% to S\$385.2 million from S\$374.9 million.

## LETTER FROM THE CHAIRMAN AND GROUP CEO

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The Group's Embedded Value, an estimate of the long-term economic value of a life insurance company for the existing blocks of business, rose by 5% to S\$11.0 billion in 2015, from an increase in the value of adjusted shareholders' fund and growth in the value of the in-force business.

The Group continued to be well-capitalised. Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remain strong and well above their respective minimum regulatory levels.

We are committed to enhancing value for our shareholders. To this end, the Directors have recommended the payment of a final one-tier tax exempt dividend of 40 cents per ordinary share plus a special one-tier tax exempt dividend of 5 cents per ordinary share. Upon shareholders' approval, the final and special dividends will be payable on 9 May 2016. Including the interim one-tier tax exempt dividend of 10 cents per ordinary share paid in September 2015, total dividends for the financial year 2015 would amount to 55 cents per ordinary share.

### **SERVING OUR CUSTOMERS BETTER**

Another area of significant focus was to improve customer experience, making it easier for our customers to engage with us. We strive to reduce complexity and identify opportunities to simplify business processes with the aim of improving both operational efficiency and customer experience. Keeping things simple and helping customers move more quickly and confidently along their decision journey and purchase path should augur well for sales and growth.

We will also leverage on our data analytics capabilities to better understand the needs of our customers in order to offer the right products at the most appropriate time. These capabilities allow us to have a clearer view of our customers and their relationship with us across three business lines – Life, General and Group Insurance. This has enabled us to deliver higher quality service, thus enhancing the relationship with our customers.

In Singapore, with the launch of HIS (Health Insurance System), which enhances our claims assessment and processing capabilities, our customers can look forward to a higher quality of service.

With the opening of our new office at Westgate Tower located in the heart of Jurong Gateway, with a catchment

population of an estimated one million, we are well-positioned to better serve the community in the West.

In Malaysia, we rolled out iDream, our next-generation financial planning toolkit, which allows customers to map out their life goals through an interactive tablet computing interface.

### **HARNESSING TECHNOLOGICAL ADVANCEMENTS**

Over the last few years, Great Eastern has been steadily building up our digital capabilities in the wake of new technologies to propel our business and for future growth. We are well placed to drive innovation in our products and services while remaining nimble to seize business opportunities.

An important part of our digital transformation was equipping our employees and distribution force with digital tools to enable them to work more efficiently and productively to deliver a seamless customer experience.

Across the Group, we upgraded our digital assets to be more user-friendly, engaging, interactive and informative. New features included "Find Your Life Planner" where customers can match profiles and select a planner of their choice as well as other easy-to-use financial planning tools.

We also revamped our corporate website in our various markets and launched a dedicated website for our takaful business in Malaysia. With these enhancements, we are better able to manage our digital campaigns and communications with our customers, as well as launch new campaigns in a shorter period of time, hence accelerating the time to market for new products.

### **LEVERAGING GROUP SYNERGIES**

As part of the OCBC Group, greater collaboration with OCBC Bank remains a priority and continues to yield positive results.

With this synergistic working relationship, we were able to draw on the bank's vast customer base to tailor products for different market segments. Further inroads were made to streamline processes as we worked towards delivering a seamless journey for our customers.

Tapping on OCBC Bank's market leadership position in SME (Small and Medium Enterprises) banking, we launched an innovative Group Insurance product – Business Employee Benefits – in Singapore, Malaysia and Indonesia. It offers SME companies insurance protection as well as a suite of group employee benefits through our Live Great Programme.



## EXPANDING OUR PRODUCT SUITE

We expanded our product suite and launched several new products throughout the year to cater to individual customers' needs and risk profile.

To celebrate Singapore's Golden Jubilee, we launched a single premium savings plan which was fully taken up shortly after its launch.

To broaden our suite of investment-linked solutions, we launched *Smart Life Advantage*, offering customers the flexibility to manage their protection and wealth accumulation needs.

In response to growing demand, we also enhanced our offering of retirement planning solutions to cater to varying budgets.

In Malaysia, we continued to be a pioneer in critical illness and health plans, offering customers unique and comprehensive medical and protection benefits.

## GROWING OUR TAKAFUL OPERATIONS

In 2015, we further scaled up our takaful operations.

Our bancatakaful channel continued to show strong growth in sales as we worked closely with our partner banks to tap on their customer base with the launch of new offerings which included regular contribution investment-linked and traditional products.

To better serve the takaful community, 1,100 new agents were recruited to boost our agency force. Our investments in training and improving the competencies of the agency force also delivered good results as evidenced by the marked improvement in the productivity of our agents.

To further penetrate the Islamic insurance market in Malaysia, Great Eastern Takaful Berhad (GETB) entered into new affinity tie-ups which opened new windows of business opportunities.

## CHANGES TO REGULATORY LANDSCAPE

We acknowledge that many regulatory changes are aimed at improving professionalism, enhancing industry robustness and standards, and making insurance more inclusive and safeguard customers' interests, and we will meet the new requirements.

**“Over the last few years, Great Eastern has been steadily building up our digital capabilities in the wake of new technologies to propel our business and for future growth. We are well placed to drive innovation in our products and services while remaining nimble to seize business opportunities.”**

Key changes during the year included:

- New regulatory requirements for financial advisory services under Monetary Authority of Singapore's Financial Advisory Industry Review.
- Liberalisation of the life insurance and family takaful industry and strengthening of consumer protection under Bank Negara Malaysia's Life Insurance and Family Takaful Framework.
- Enhanced corporate governance and risk management requirements for financial conglomerates under Otoritas Jasa Keuangan's Guidelines on The Implementation of Integrated Risk Management and Corporate Governance For Financial Conglomerates in Indonesia.

## HUMAN CAPITAL

At Great Eastern, we greatly value our employees as they are the foundation of our business. We strive to create a collaborative work place where employees are engaged, energised and empowered to achieve their fullest potential.

In 2015, employee engagement levels continued to improve and we remained in the Best Employer range in surveys conducted by Aon Hewitt, an established global consultancy firm.

Our LIFE Programme, a key component of our employee value proposition and the first-of-its-kind integrated employee benefit and health incentive programme in the industry, entered its third year. The programme has succeeded in attracting greater employee participation as well as improving the health of participants.

## LETTER FROM THE CHAIRMAN AND GROUP CEO

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**“With our strong financial position and robust fundamentals, we are well-positioned to weather through the challenging times and take on opportunities as we create and deliver long-term value for our shareholders.”**

Our series of Making Life Great (MLG) Workshops encouraged meaningful and regular interaction for employees at all levels and was an effective platform for the sharing of ideas.

Key to our strategy to strengthen our foundation and build for the future was the development of a Career Roadmap Framework for the Group. Designed to empower employees to take charge of their careers, the framework helps employees visualise their career track and chart their career progression. This would in turn help to build a robust and consistent pipeline of talents with technical and managerial skillsets for the Group. The framework has been rolled out in Singapore and will be implemented in Malaysia and Indonesia.

### **GIVING BACK TO THE COMMUNITY**

Corporate social responsibility remains firmly at the heart of Great Eastern and we remain committed to making a meaningful contribution to the communities that we operate in.

Across the Group, our people gave their time and talents to support community causes which included initiatives benefiting underprivileged children and the elderly under our ChildrenCare and GoldenCare programmes.

As a LIFE company, we proactively champion health and wellness. Our signature Great Eastern Women's Run attracted a record 17,000 participants in its 10th year and we leveraged the milestone to raise S\$500,000 for women and children-related causes.

In Malaysia, about 6,000 participated in our Zumba Fitness event, earning us an entry into the Malaysia Book of Records, while our inaugural Colour My Heart Run in collaboration with the Heart Foundation drew 16,500 runners.

As part of our efforts to support education, in Singapore, we donated S\$50,000 to the Lee Kuan Yew Education Fund, while in Malaysia and Vietnam, scholarships and bursaries were awarded to deserving needy students. In Indonesia, we actively promoted financial literacy to the community.

### **ACCOLADES**

Across the Group, we garnered accolades and recognition which served as a firm affirmation of the trust our customers have in us and our brand.

Great Eastern was ranked eighth out of 100 top Singapore brands by Brand Finance, the world's leading independent brand valuation consultancy.

In the Customer Satisfaction Index of Singapore Survey conducted by the Institute of Service Excellence (Singapore Management University) announced in early 2015, Great Eastern topped the life insurance category.

We were honoured that both Great Eastern Life and Overseas Assurance Corporation were among 50 companies that were awarded the Singapore Golden Jubilee Business Awards for achievements and contributions over the decades.

In Malaysia, we received the Frost & Sullivan Malaysia Excellence Awards 2015 for Customer Experience and was voted Reader's Digest Trusted Brand Gold Award for the 12th consecutive year.

### **LOOKING AHEAD**

2016 has seen a turbulent start, with sharp fall in the prices of oil and other commodities, and heightened volatility in global financial markets. The outlook for the region remains soft, with continued weak prices for commodities and pressure on currencies.

China is expected to experience further slowdown in economic growth as it restructures its economy to a more sustainable model that is driven more by growth in consumption and services. This development will have an impact on our key markets, namely Singapore, Malaysia and Indonesia, which count China as one of their key trading partners. Hence, domestic demand in our key markets is expected to come under pressure as investor sentiments weaken. Given the weak economic outlook, we expect the year to be challenging.

Nonetheless, we remain positive on the long-term prospects for the insurance business in Southeast Asia, with its population of 600 million, rising affluence, a growing middle

class and ageing population. With our strong financial position and robust fundamentals, we are well-positioned to weather through the challenging times and take on opportunities as we create and deliver long-term value for our shareholders.

We will continue to pursue a disciplined and prudent strategy as we grow our franchise across our key markets. We plan to optimise and expand our bancassurance partnership with OCBC Bank, strengthen the capabilities and competencies of our distribution force, and proactively leverage on digital technology to improve productivity, professionalism and enhance customer experience.

### **TRIBUTE TO MR LEE SENG WEE**

Mr Lee Seng Wee, who was a Director of Great Eastern Holdings from 1999 to 2013, and also on the Board of Great Eastern Life Assurance from 1975 to 2008, passed away on 7 August 2015 at the age of 85. After he stepped down from the Board of Great Eastern Holdings, Mr Lee continued to provide invaluable guidance in his role as Senior Advisor to the Board.

Mr Lee, a banker and a philanthropist, lived his life with humility, integrity and honour. He helped to steer the Great Eastern Group through challenging and exceptional times, including the Asian and Global financial crises. His deep knowledge of Singapore's banking and financial industry made him a highly valued member of the Board and his legacy will continue to live on in Great Eastern.

### **ACKNOWLEDGEMENTS**

The Board would like to express its appreciation to Director Mr Norman Ip who served as Acting Group Chief Executive Officer during the leadership transition period. Mr Ip assumed an oversight executive role, working closely with Management to ensure that we continued to serve our customers well and that our core business fundamentals remained strong.

We also wish to record our sincere gratitude to Dr Cheong Choong Kong and Mr Lee Chien Shih, who will be stepping down at the Company's Annual General Meeting in April 2016. The Group has benefitted from their invaluable contributions and insights and we wish them the very best in their future endeavours. We also wish to thank Dr Cheong Choong Kong for his key role in enhancing the talent identification and development practices of the Group.

We extend a warm welcome to Mr Soon Tit Koon and Mr Wee Joo Yeow, who both joined the Board on 1 January 2016. Mr Soon has broad experience in the banking and

financial sector and is familiar with the insurance business, while Mr Wee brings with him close to 40 years of banking experience and customer relationship. We value their wealth of knowledge and experience, and look forward to their active participation on the Board.

On behalf of the Group, we would like to thank the Board of Directors, as well as the Boards of our subsidiary companies, for their strategic guidance and counsel.

We also wish to express our appreciation to our business partners, the Union, management and employees, agency and bancassurance sales force and Great Eastern Financial Advisers, for their dedication and support as we strive for excellence.

In particular, we thank our customers and shareholders for their continued trust and confidence in us.

As a LIFE company, we will continue to make a meaningful difference.



**KOH BENG SENG**  
Chairman



**KHOR HOCK SENG**  
Group Chief Executive Officer

10 March 2016

# 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 16 April 2014. Mr Koh was appointed Chairman of the Company’s principal insurance subsidiaries, namely, The Great Eastern Life Assurance Company Limited (“Great Eastern Life”) and The Overseas Assurance Corporation Limited (“OAC”) 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, BOC Hong Kong (Holdings) Limited, Hon Sui Sen Endowment CLG Limited, Singapore Technologies Engineering Ltd and United Engineers Limited.

He was previously Deputy President of United Overseas Bank Ltd (“UOB”) (until 31 January 2005) and a Director of UOB, Far Eastern Bank Ltd (until 15 February 2005), Japan Wealth Management Securities Inc. (until December 2011), Fraser and Neave, Limited (until 26 February 2013) and Sing Han International Financial Services Limited (until 30 April 2015). 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. He also served as a member of the advisory team to the International Monetary Fund on reforms to Thailand’s financial sector.

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 65.



**CHEONG CHOONG KONG**

Dr Cheong was first appointed to the Board of the Company on 7 January 2005 and was last re-appointed as the Company’s Director on 15 April 2015. He was a Director of OAC until 1 January 2014 and Great Eastern Life until 15 April 2008. He was Chairman of OCBC Bank until 31 August 2014 and continues to serve as a Director. Dr Cheong is the Patron of the Movement for the Intellectually Disabled of Singapore, a member of the NCSS Volunteer Resource Committee and a Director of OCBC Wing Hang Bank Ltd. He was formerly a Director of Singapore Press Holdings Limited (until 4 December 2007), OCBC Management Services Private Limited (until 1 July 2015) and Singapore Airlines Limited until June 2003, where he last held the position of Deputy Chairman and Chief Executive Officer.

Dr Cheong holds a Bachelor of Science (First Class Honours in Mathematics) and (Honorary) Doctor of the University from the University of Adelaide, and a Master of Science and Ph.D. in Mathematics and (Honorary) Doctor of Science from the Australian National University, Canberra. Age 74.



## **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 15 April 2015. 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 subsidiaries, including Great Eastern Life, OAC, Great Eastern Life Assurance (Malaysia) Bhd, Overseas Assurance Corporation (Malaysia) Bhd and Great Eastern Takaful Bhd. He is also a Director of AIMS AMP Capital Industrial REIT Management Limited as well as a member of the Building and Construction Authority and the Securities Industry Council. He is presently the Group Managing Director of United Engineers Limited.

Mr Ip was previously Chairman of Malaysia Smelting Corporation Berhad (until 1 July 2014), a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange (until 22 June 2011) and Chairman of UE E&C Ltd (until 29 January 2015). He is a Chartered Accountant by training and has over 32 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 63.



## **LAW SONG KENG**

Mr Law was first appointed to the Board of the Company on 1 January 2013 and was last re-elected as the Company's Director on 15 April 2015. He is Chairman of Asia Capital Reinsurance Group Pte Ltd, 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, ECICS Limited and IFS Capital Limited.

Mr Law was previously Deputy Managing Director (Administration and Insurance) at the Monetary Authority of Singapore (until August 1992), Managing Director and Chief Executive Officer of OAC (until June 2003), a member of Central Provident Fund (until June 2012) and Director of 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 71.

## BOARD OF DIRECTORS

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### LEE CHIEN SHIH

Mr Lee was first appointed to the Board of the Company on 7 July 2005 and was last re-elected as the Company's Director on 17 April 2013. He was a Director of OAC until 1 January 2014 and Great Eastern Life until 15 April 2008. He is a Director of several Bukit Sembawang Estates Limited Group Companies, Lee Latex (Pte) Limited, Lee Rubber Company (Pte) Limited, Lee Foundation, Singapore, and Lee Foundation, States of Malaya. He is also an Alternate Director in Selat (Pte) Limited and Singapore Investments (Pte) Limited.

Mr Lee holds a MBBS from the National University of Singapore. Age 56.



### KYLE LEE KHAI FATT

Mr Lee was first appointed to the Board of the Company on 1 July 2014 and was last re-elected as the Company's Director on 15 April 2015. He is a Director of Great Eastern Life. He is the Chairman of MFS Technology Ltd and a Director of CapitalLand Mall Trust Management Limited, FEO Hospitality Asset Management Pte. Ltd. and FEO Hospitality Trust Management Pte. Ltd. He also serves as a member of the Audit Committee of National Art Gallery. He was a Director of WBL Corporation Limited (until 1 March 2014) and Jurong International Holdings Pte. Ltd. (until 9 June 2015).

Mr Lee has close to 40 years of experience in audit and business advisory services, having worked in both the United Kingdom and Singapore. He was a partner of PricewaterhouseCoopers LLP and Price Waterhouse in Singapore.

Mr Lee holds a Master of Business Administration from the University of London, Imperial College of Science, Technology and Medicine, a Master of Science (Distinction) in International Management from the University of London, The School of Oriental and African Studies, and a Bachelor of Arts (Honours) in Business Studies from the Council of National Academic Awards, Polytechnic of the South Bank London. He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. Age 63.



### SOON TIT KOON

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Mr Soon was first appointed to the Board of the Company on 1 January 2016. He is a Director of SPH REIT Management Pte Ltd, Wah Hin & Company Private Limited, Bank of Ningbo Co., Ltd and AVIC Trust Co., Ltd. Mr Soon held a series of senior positions in 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 64.



### TAN YAM PIN

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Mr Tan was first appointed to the Board of the Company on 7 January 2005 and was last re-elected as the Company's Director on 15 April 2015. He was a Director of Great Eastern Life and OAC until 1 January 2014. Mr Tan is also a Director of General Storage Company Pte. Ltd., Keppel Land Limited, Lee Kuan Yew Scholarship Fund and Singapore Post Limited. He is currently Deputy Chairman of the Singapore Public Service Commission which he is a member since 1990. He was previously a Director of Blue Scope Steel Limited (Australia) (until 4 November 2013). He was also an Advisory Board Member of Leighton Asia Limited (Hong Kong) (until 7 August 2015).

Mr Tan holds a Bachelor of Arts (Honours) from the University of Singapore and a Master of Business Administration from the University of British Columbia, Canada. He is a Fellow of the Canadian Institute of Chartered Accountants, Canada. Age 75.

## BOARD OF DIRECTORS

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### **SAMUEL N. TSIENT**

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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 15 April 2015. He was a Director of OAC until 1 January 2014.

Mr Tsien is the Chief Executive Officer and a Director of OCBC Bank. He is presently the Chairman of OCBC Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. He also serves on the boards of major OCBC Group Companies, including Bank of Singapore Limited, OCBC Wing Hang Bank Ltd, OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad. He is a Director of Mapletree Investments Pte Ltd and The Institute of Banking & Finance. He is also a council member of the Association of Banks in Singapore and the Singapore Business Federation. He serves as a Member of the Malaysia-Singapore Business Council, the Advisory Committee of the MAS Financial Sector Development Fund, the MAS Financial Centre Advisory Panel and the Financial Sector Tripartite Committee.

Prior to joining OCBC Bank, Mr Tsien was the President and Chief Executive Officer of China Construction Bank (Asia), and prior to that President and Chief Executive Officer of Bank of America (Asia) from 1995 to 2006.

Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles, USA. Age 61.



### **WEE JOO YEOW**

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Mr Wee was first appointed to the Board of the Company on 1 January 2016. He has more than 39 years of corporate banking experience. He was Managing Director & Head of Corporate Banking Singapore at United Overseas Bank Ltd until his retirement in June 2013. Prior to that, he was Executive Vice President & Head of Corporate Banking with Overseas Union Bank Ltd and Head, Credit & Marketing with First National Bank of Chicago (Singapore). He is presently a Director of several companies, including Frasers Centrepoint Ltd, 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 68.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Koh Beng Seng, Chairman  
Cheong Choong Kong  
Norman Ip  
Law Song Keng  
Lee Chien Shih  
Kyle Lee Khai Fatt  
Soon Tit Koon  
Tan Yam Pin  
Samuel N. Tsien  
Wee Joo Yeow

## NOMINATING COMMITTEE

Cheong Choong Kong, Chairman  
Norman Ip  
Koh Beng Seng  
Lee Chien Shih  
Kyle Lee Khai Fatt

## EXECUTIVE COMMITTEE

Koh Beng Seng, Chairman  
Cheong Choong Kong  
Norman Ip  
Law Song Keng

## AUDIT COMMITTEE

Kyle Lee Khai Fatt, Chairman  
Law Song Keng  
Tan Yam Pin

## REMUNERATION COMMITTEE

Norman Ip, Chairman  
Koh Beng Seng  
Lee Chien Shih  
Wee Joo Yeow

## RISK MANAGEMENT COMMITTEE

Koh Beng Seng, Chairman  
Law Song Keng  
Soon Tit Koon  
Tan Yam Pin  
Samuel N. Tsien

## GROUP CHIEF EXECUTIVE OFFICER

Khor Hock Seng

## GROUP COMPANY SECRETARY

Jennifer Wong Pakshong

## REGISTERED OFFICE

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## 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: Mak Keat Meng  
(since financial year 2013)

## KEY EXECUTIVES



From left: Jennifer Wong Pakshong, Ronnie Tan, Dato Koh Yaw Hui,  
Khor Hock Seng, Dr Khoo Kah Siang and Chin Wee Cheak



From left: Yoon Mun Thim, James Lee, Ho Ming Heng,  
Tony Cheong, Andrew Lee and Ng Yoh Thai

## KEY EXECUTIVES

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### **KHOR HOCK SENG**

GROUP CHIEF EXECUTIVE OFFICER

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

Qualifications: BArts majoring in Actuarial Studies and Statistics, Macquarie University, Australia; and Certificate of Actuarial Techniques, London Institute of Actuaries, UK.

### **TONY CHEONG**

GROUP CHIEF FINANCIAL OFFICER

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With Great Eastern since 2009. Oversees the finance and actuarial functions of the Group. Also responsible for driving the Group's corporate strategy.

Qualifications: BSc (1st Class Hons) in Actuarial Science, London School of Economics & Political Science; Fellow of the Institute and Faculty of Actuaries, UK.

### **ANDREW LEE**

GROUP CHIEF MARKETING AND DISTRIBUTION OFFICER

---

With Great Eastern since 2010 and OCBC Bank since October 1999. Responsible at the Group level for brand management, strategic marketing, product management and distribution management as well as for the performance of the company's emerging markets.

Qualifications: BSocial Science (Hons) in Economics, University of Singapore.

### **KHOO KAH SIANG (DR)**

CHIEF EXECUTIVE OFFICER (SINGAPORE)

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With Great Eastern since 2006. Responsible for managing and growing the Life, Group and General Insurance business, Net Profit After Tax and New Business Embedded Value for Great Eastern Life and Overseas Assurance Corporation in Singapore.

Qualifications: Ph.D Statistics, University of Kent, Canterbury, UK; Fellow of the Institute and Faculty of Actuaries, UK.

### **DATO KOH YAW HUI**

CHIEF EXECUTIVE OFFICER (MALAYSIA)

---

With Great Eastern since 2002. Responsible for the operations and business growth, Net Profit After Tax and New Business Embedded Value for Great Eastern Life and Overseas Assurance Corporation in Malaysia.

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

### **YOON MUN THIM**

GROUP CHIEF INVESTMENT OFFICER

---

With Great Eastern since 2009. Responsible for the formulation of the Group's investment strategies and management of all investments within the Group.

Qualifications: BArts and Master of Arts, University of Cambridge; Master of Business Administration (Distinction), Warwick Business School, University of Warwick; Chartered Financial Analyst.

**HO MING HENG**MANAGING DIRECTOR, GROUP OPERATIONS

---

With Great Eastern since 2008. Responsible for the Group's operations in the insurance value chain, formulation and implementation of operations policy and strategy, and in particular the synergy and alignment of insurance processes across the Group. Also responsible for leading the Business Transformation Office with primary objective of driving process transformation through Lean Six Sigma methodology, and improving business processes.

Qualifications: BSc (1st Class Hons) in Engineering, King's College, London University, UK.

**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 network of risk management, control and governance processes through internal audits.

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 of the Group.

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.

**RONNIE TAN**GROUP CHIEF RISK OFFICER

---

With Great Eastern since 2002. Responsible for the management of the various risks of the Group, including market, credit, liquidity, insurance, operational, technology and compliance risks.

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

**NG YOH THAI**MANAGING DIRECTOR,  
GROUP INFORMATION TECHNOLOGY

---

With Great Eastern since December 2013 and OCBC Bank since 2003. Responsible at the Group level for all areas within IT – from IT strategy formulation to delivery of optimal technology services to the Group.

Qualifications: BSc (Hons) in Computer Science and Master of Science in Computer Science, University of Manitoba, Canada.

**JAMES LEE**MANAGING DIRECTOR,  
GROUP HUMAN CAPITAL

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With Great Eastern since 1997. Responsible for human capital and change programmes within the Group.

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

# FINANCIAL HIGHLIGHTS

## FINANCIAL YEAR ENDED 31 DECEMBER

		2015	2014	2013	2012	2011
<b>GROUP STATISTICS</b>						
Gross Premiums	(S\$millions)	<b>8,757.4</b>	8,209.8	7,977.5	6,614.5	6,430.7
Profit Attributable to Shareholders	(S\$millions)	<b>785.4</b>	878.6	674.8	1,189.1 <sup>1</sup>	385.7
Operating Profit after Tax <sup>2</sup>	(S\$millions)	<b>581.4</b>	590.7	559.6	501.5	–
Total Assets	(S\$millions)	<b>65,820.7</b>	65,677.4	60,936.6	59,701.0	55,602.6
Shareholders' Fund	(S\$millions)	<b>6,230.4</b>	5,871.8	5,076.9	4,797.0	3,912.3
Stock Exchange Prices <sup>3</sup>	(S\$)	<b>20.24</b>	23.99	17.82	15.66	12.60
Market Capitalisation <sup>3</sup>	(S\$millions)	<b>9,580.0</b>	11,354.9	8,434.5	7,412.2	5,963.8
Embedded Value	(S\$millions)	<b>11,001.4</b>	10,435.5	9,213.7	8,604.8	7,465.3
Economic Value of One Year's New Business		<b>385.2</b>	394.3 <sup>4</sup>	422.7	352.7	364.8
<b>GROUP FINANCIAL RATIOS</b>						
Return on Equity <sup>5</sup>		<b>13.0%</b>	16.0%	13.7%	27.3%	9.7%
Gross Premium Growth		<b>6.7%</b>	2.9%	20.6%	2.9%	4.5%
Basic Earnings per share <sup>6</sup>	(S\$)	<b>1.66</b>	1.86	1.43	2.51	0.81
Diluted Earnings per share	(S\$)	<b>1.66</b>	1.86	1.43	2.51	0.81
Net Asset Value per share	(S\$)	<b>13.16</b>	12.41	10.73	10.13	8.27
Embedded Value per share	(S\$)	<b>23.243</b>	22.047	19.466	18.180	15.772
Economic Value of One Year's New Business per share	(S\$)	<b>0.814</b>	0.833	0.893	0.745	0.771
Gross Dividend per share paid during the year	(cents)	<b>55.0</b>	55.0	64.0	37.0	10.0

<sup>1</sup> FY12 profit attributable to shareholders includes a one-off disposal gain of S\$421.6 million from the sale of the Group's shareholdings in Asia Pacific Breweries Limited and Fraser and Neave, Limited.

<sup>2</sup> Operating Profit after Tax is defined as premiums less claims, surrenders, commissions, expenses and charges in reserves, plus net investment income (dividends, coupon etc). Disclosure of Operating Profit after Tax began in 2013.

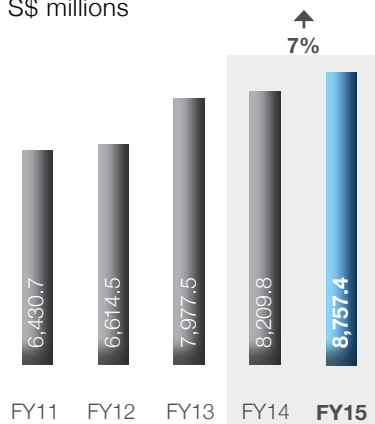
<sup>3</sup> The Stock Exchange Prices and Market Capitalisation were obtained from Bloomberg.

<sup>4</sup> If translated using exchange rates at 31 December 2015, FY14 economic value of one year's new business would have been S\$374.9 million.

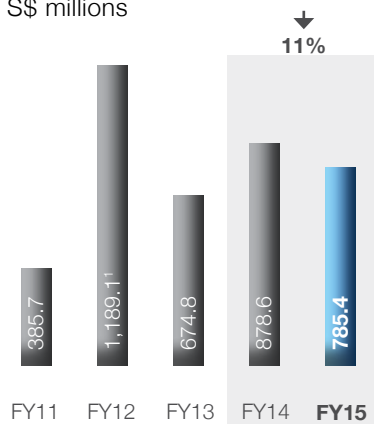
<sup>5</sup> The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund has been used in the computation of Return on Equity.

<sup>6</sup> The Basic Earnings per share were based on the Group's Profit Attributable to Shareholders divided by total paid-up shares.

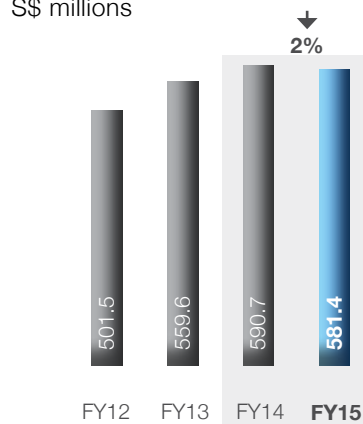
**Gross Premiums**  
S\$ millions



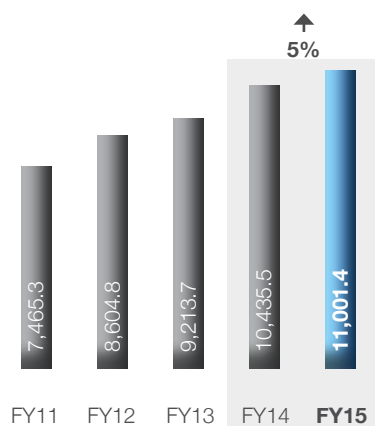
**Profit Attributable to Shareholders**  
S\$ millions



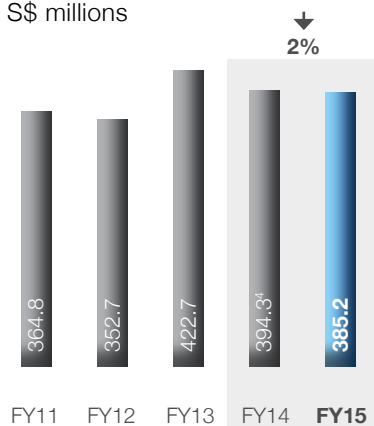
**Operating Profit after Tax<sup>2</sup>**  
S\$ millions



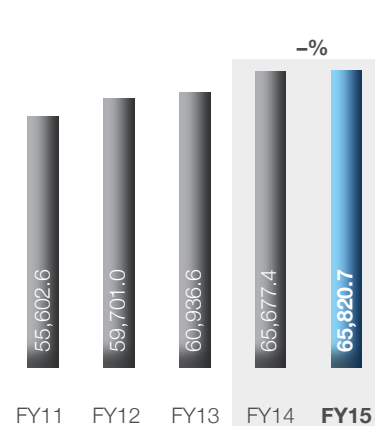
**Embedded Value**  
S\$ millions



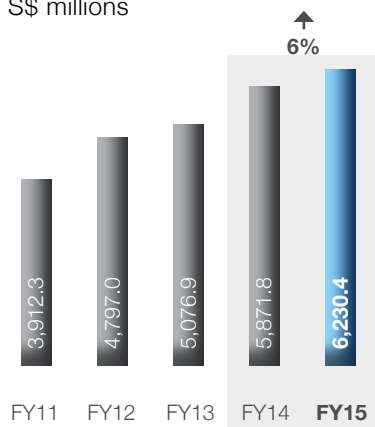
**Economic Value of One Year's New Business**  
S\$ millions



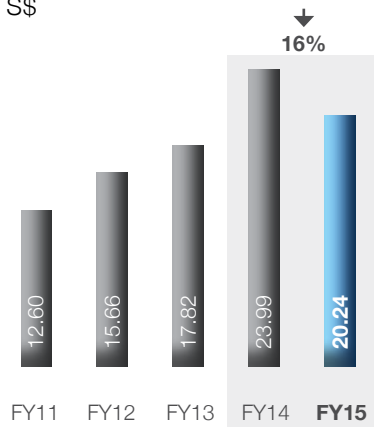
**Total Assets**  
S\$ millions



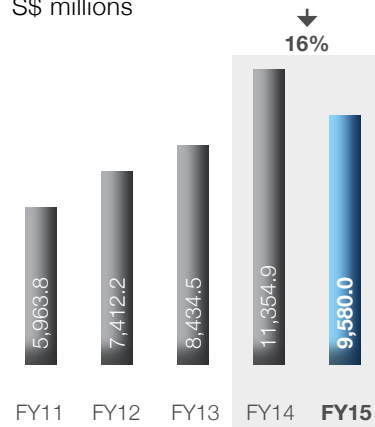
**Shareholders' Fund**  
S\$ millions



**Stock Exchange Prices<sup>3</sup>**  
S\$



**Market Capitalisation<sup>3</sup>**  
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 2015. 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 and Malaysia.

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 2015.

## 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") and The Overseas Assurance Corporation Limited ("OAC") in Singapore and Great Eastern Life Assurance (Malaysia) Berhad ("GELM") in Malaysia.

Investment returns assumed are based on the long-term strategic asset mix and their expected future returns. For both GEL and OAC, the returns assumed, after investment expenses, are 5.25%, 4.0% and 6.0% for participating fund, non-participating fund and linked fund respectively. For GELM, the returns assumed, after investment expenses, are 6.0%, 5.0% and 7.0% for participating fund, non-participating fund and linked fund respectively. The risk-adjusted discount rate used is 7.25% for Singapore and 9.0% for Malaysia.

## EMBEDDED VALUE CALCULATION

The value of In-Force Business has been calculated for the life insurance business of GEL and OAC in Singapore and GELM in Malaysia, along with the adjusted Shareholders' Funds for the Group. The results of the calculations as at 31 December 2015 are as follows:

Embedded Value (\$ million)	Singapore	Malaysia	Total
Life Business			
Value of In-Force Business	3,655	1,925	5,580
Shareholders' Funds and Non-Life Business			
Adjusted Shareholders' Funds	4,990*	431^	5,421
<b>Total Embedded Value</b>	<b>8,645</b>	<b>2,356</b>	<b>11,001</b>

\* Includes businesses in Brunei, China, Hong Kong, Indonesia, Sri Lanka and Vietnam.

^ Includes Great Eastern Takaful Berhad (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 2015 has been calculated as follows:

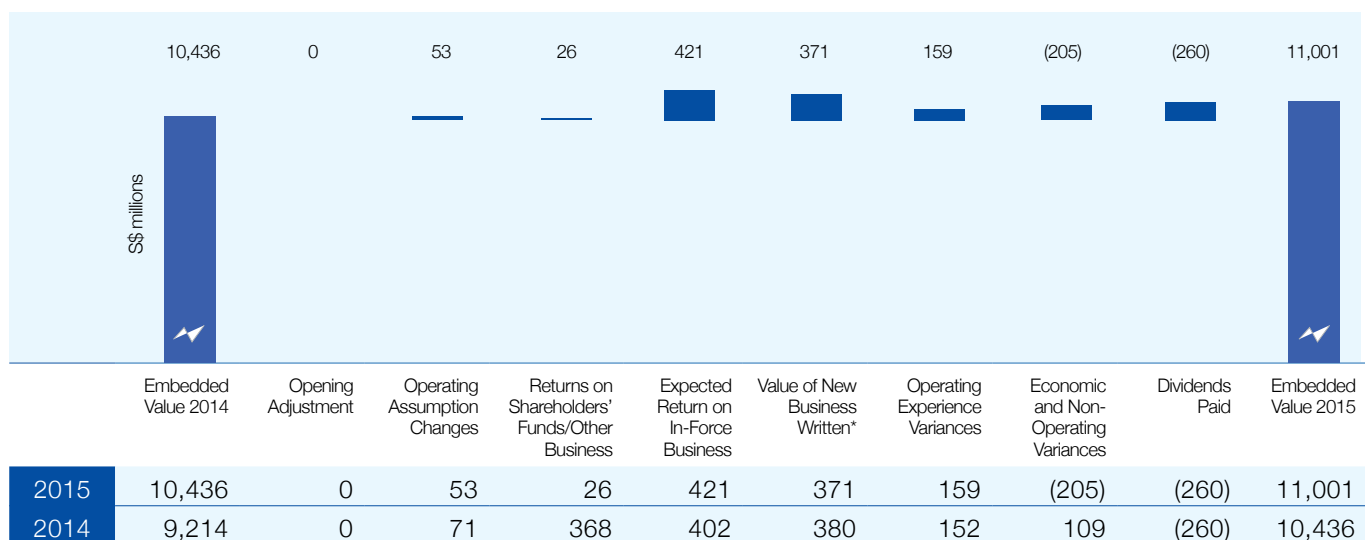
Values (S\$ millions)	Singapore	Malaysia*	Other Asia** and GETB	Total
Economic Value of One Year's New Business	245	125	15	385

\* Excludes GETB.

\*\* Includes Group's regional operations in Brunei, China, Indonesia and Vietnam.

## ANALYSIS OF CHANGE IN EMBEDDED VALUE (\$ 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 2014 analysis results.



\* Excludes values of new business from GETB and the Group's other regional operations in Brunei, China, Indonesia and Vietnam.

## 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 adopted, 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 +0.50%	Investment -0.50%	Discount Rate +1%	Discount Rate -1%
Total Embedded Value	11,001	11,425	10,598	10,484	11,617
Economic Value of One Year's New Business	385	411	361	343	436

# BUSINESS REVIEW



## SINGAPORE

Our Singapore operations, comprising Great Eastern Life Assurance Co Ltd (GELS) and Overseas Assurance Corporation Ltd (OAC), continued to register good results.

Collectively, these businesses registered S\$623.6 million in total weighted new sales, an 8.3% increase over 2014. New business embedded value for the year increased 3.0% to S\$245.3 million.

The results were driven by strong performance from the combined strength of our distribution channels. Our bancassurance channel in particular saw strong growth, while our agency channel maintained a stable contribution.

As a homegrown brand, we capitalised on Singapore's Golden Jubilee celebrations to launch initiatives to deepen and broaden our relationship with customers and the community.

Our product strategy which continued to centre around customers' needs proved successful and contributed positively to our business targets.

During the year, recommendations from the Financial Advisory Industry Review (FAIR) – balanced scorecard on financial advisers' remuneration; web aggregator where buyers can compare key product benefits and price; and a direct channel

for customers to purchase insurance products – came into full swing.

MediShield Life, which provides lifetime coverage for all Singaporeans and Permanent Residents, regardless of age or pre-existing health conditions, was also launched by the government. As a major Integrated Shield Plan provider, we are committed to ensuring that our plan remains competitively priced and affordable.

Our training programmes focused on enhancing the core competencies and professionalism of our distribution force to equip and enable them to better meet the changes arising from the introduction of FAIR recommendations and MediShield Life.

Customer-centricity continued to be a priority. The opening of our new office at Westgate Tower has extended our network to the western part of Singapore and enabled us to better engage and serve our customers there.

### **DELIVERING AN INTEGRATED AND SEAMLESS CUSTOMER EXPERIENCE**

During the year, we made good strides in enhancing our customer service capabilities and streamlining our operations.



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- 1 Our SG50 initiatives fostered greater customer affinity and loyalty.
- 2 Among the wishes fulfilled by Great Eastern was a football coaching clinic for underprivileged children.
- 3 Our new website has enabled us to more effectively engage the community.
- 4 A key focus was to enhance the leadership skills of our distribution force.
- 5 Our SG50 heritage race was a good platform to boost team spirit.
- 6 Over 17,000 newborns registered for our SG50 Jubilee Baby Gift Pack.



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With the launch of CIF (Customer Information File), we now have an integrated single-view of our Life, General and Group Insurance customers, while HIS (Health Insurance System) helps us manage our health insurance portfolio more efficiently, including facilitating underwriting and claims assessment.

We continued to harness Six Sigma to simplify and strengthen work processes which improved overall operational efficiencies across the company.

These enabled us to provide a consistently high level of customer service and deliver a more seamless customer experience.

Following the launch of Direct Purchase Insurance (DPI) channel, we set up a dedicated counter at our Customer Service Centre to handle customer enquiries and transactions. To assist customers, printed and online versions of self-service guides with detailed explanations of DPI products were made available.

To reinforce customer trust, greater emphasis and added resources were injected into managing customer feedback across the company.

With our user-friendly GExperience Survey web application, customers can provide real-time feedback at multiple touch points which enable us to better address negative customer experiences in a more timely manner and improve our service delivery.

Our dedicated Customer Advocate Unit (CAU) proactively manages an integrated complaints system to ensure that customer concerns and feedback are addressed fairly, independently and professionally in a consistent and structured manner. Complaint data and statistics are captured, analysed and shared with business units to prevent a recurrence.

### **RAMPING UP CUSTOMER ENGAGEMENT**

In 2015, our customer engagement initiatives were anchored on Singapore's Golden Jubilee milestone.

Our SG50 initiatives succeeded in building greater customer affinity and loyalty.

Great Eastern's SG50 Wishes garnered over 8,500 submissions from all walks of life. Throughout the year, we fulfilled meaningful wishes from the community which ranged from recognising the contributions of our pioneer generation to wishes which improved family ties and the lives of the needy.



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With our SG50 Jubilee Baby Package, we were the first life insurer to offer complimentary first year health insurance for newborns. Over 17,000 newborns registered for the package.

A key engagement platform was our Great Eastern Women's Run which celebrated its 10th edition. The event attracted a record 17,000 participants and was one of the key platforms we leveraged to raise S\$500,000 for women and children-related causes. Many participants donned colourful tutus to support the worthy causes, while the inaugural Princess Dash for young girls added an exciting new dimension.

In alignment with our LIFE company purpose to help and empower the community to live healthier and better through sports, we extended our co-title sponsorship of the S.League for another two seasons.

Our collaboration with the S.League over the last nine years has brought our brand closer to the community. We also reached out to the young through Live Great football clinics and granted the wish of former S.League stalwart Aleksandar Duric to conduct football clinics for underprivileged children as part of our GE SG50 Wishes campaign.

### EXPANDING OUR PRODUCT SUITE

In 2015, we expanded our product suite to serve unique needs of various customer segments.

To cater to customers planning for retirement, we launched new retirement savings plans and for the more affluent, we introduced a plan that secures a lifetime income which could be used for retirement or as a legacy gift to the next generation.

Riding on the celebration of Singapore's Golden Jubilee, we launched a limited offer five-year single premium plan which provided customers an attractive guaranteed annual payout. The plan was well received.

For younger families, our *Smart Life Advantage*, a two-in-one whole life investment-linked plan, provides the flexibility to manage their protection and wealth accumulation needs. It offers customers the highest flexibility for protection coverage in the market, allowing them to adjust both death and critical illness coverage at key life stages based on their evolving needs.

### GROWING OUR GROUP AND GENERAL INSURANCE BUSINESS

On the Group Insurance front, we successfully leveraged the unique benefits of our Live Great Programme to offer a compelling proposition to corporate clients, including Small and Medium Enterprises.

Our corporate clients and their employees can utilise our EB hub portal for a wide range of services, ranging from claims-related transactions to requests for letters of guarantee.



- 7 The 10th edition of the Great Eastern Women's Run attracted a record 17,000 participants.
- 8 With Great Eastern Westgate, we are well placed to serve our customers in Western Singapore.
- 9 Our ongoing sponsorship of local football has brought the brand closer to the community.
- 10 All charged up to bring Great Eastern to greater heights.
- 11 Teamwork and collaboration are key to our success.



*Flexi-Maternity Cover*, Singapore's first "pure maternity protection plan", safeguards the expectant mother against maternity complications as early as the 13th week of pregnancy as well as protects the newborn against congenital illnesses till the age of three.

On the General Insurance front, our business remained stable. We offered specialised products to enhance our product offering for corporate clients. In partnership with OCBC Bank, we launched *Explorer Travel Insurance*, where customers can customise their coverage and enjoy greater flexibility to select the plan to meet their individual needs.

### **ENHANCING PROFESSIONALISM AND DISTRIBUTION CAPABILITIES**

We remain firmly committed to elevate advisory and service standards.

Our training programmes centred on enhancing the core competencies of our 3,000-strong distribution force to meet the new balanced scorecard framework. Distribution representatives were also trained on the details of MediShield Life.

Through comprehensive courses conducted at our Centre for Excellence, our representatives have access to best-in-class training to upgrade their knowledge and skills and attain higher professional certifications to meet rigorous industry standards.

During the year, we boosted our distribution capabilities. Great Eastern Financial Advisers (GEFA) grew exponentially to over 700 consultants, making it the largest financial advisory firm in the market.

Working in tandem with wealth specialists from OCBC Bank, GEFA's Premier Client Group continued to provide comprehensive financial planning and wealth management solutions for the affluent and registered good growth on all fronts.

Our synergistic partnership with various product providers has grown from strength to strength and continued to fuel our strong performance in 2015.

In bancassurance, our close collaboration with OCBC Bank continued to deliver good results and we were able to unlock significant value from this channel.

To enhance overall customer service, dedicated Relationship Managers were appointed to serve customers who required premium financing services, while with our new point-of-sales system, we further rationalised processes and reduced turnaround time for applications.

Our Assurebanking business continued to make good strides, providing our customers a one-stop service for their mortgage servicing needs.



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## MALAYSIA

Our Malaysian operations continued its robust growth, driven by strong demand for conventional and takaful investment-linked products, growth in bancatakaful sales and the continued success of our bancassurance partnership with OCBC Bank.

Total weighted new sales from Great Eastern Life Assurance (Malaysia) Berhad (GELM) and Great Eastern Takaful Berhad (GETB) grew 4% to RM948.6 million (S\$312.6 million) compared with RM913.5 million (S\$300.9 million) in 2014.

Overseas Assurance Corporation (Malaysia) Berhad (OACM), our General Insurance arm, achieved RM449 million (S\$158.2 million) in Gross Written Premiums, with a growth of 9.8%.

### BUILDING CUSTOMER ENGAGEMENT AND OUR BRAND

During the year, we rolled out a series of health and wellness initiatives under our Live Great Programme to encourage Malaysians to lead a healthier lifestyle and to support our customers to take personal ownership of their health.

Since the inception of our Live Great Run in 2012, the event has grown in popularity and scale. For the 2015 edition, we

collaborated with the Heart Foundation of Malaysia (Yayasan Jantung Malaysia) to hold the inaugural Great Eastern Colour My Heart Run in Penang and Kuala Lumpur which attracted 16,500 participants.

For the 5km Colour Run in the two cities, runners were showered with coloured powder at stations along the route, while the 12km Live Great Run in Kuala Lumpur promoted the message that competitive running can also be fun.

Highlights of the post-event carnival included inflatable rock climbing and bungee running where participants ran as far as they could while connected to an elastic rope in a test of stamina and strength.

Another major Live Great event to further promote a healthy lifestyle among the community was our Zumba Fitness Party which attracted close to 6,000 participants. This earned us an entry into the Malaysia Book of Records for organising the largest Zumba fitness event of its kind in Malaysia.

Our series of Smart for Life Tea Talks across Malaysia featured renowned speakers who shared expert insights on health, wealth and relationships and drew capacity crowds.



3

- 1-3 Through the FitForLife Fair, Colour My Heart Run and Zumba Fitness Party, GELM promoted the importance of healthy living and reinforced our Live Great message to the community.
- 4 Our sponsorship of Asia's Got Talent in Malaysia provided good branding and customer engagement opportunities.
- 5 We expanded our suite of medical protection solutions with *Smart Extender Max*.



4



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Our participation in The Star FitForLife for the fourth consecutive year enabled us to reach out to a large crowd of 40,000 and provided opportunities to further reinforce our Live Great message to the community to adopt a holistic approach to fitness and wellness. Highlights included the Live Great Dodgeball competition and the Great Escape Challenge where teams were tested on their mental skills to solve challenging clues to break out “alive” and escape the complex maze.

Our partnership with AXN as the presenter of the inaugural season of Asia’s Got Talent in Malaysia enabled us to further build the brand across the country. It also provided us meaningful opportunities to ramp up our community engagement in Johor, the Klang Valley and Penang through a series of Superstar ME contests which were targeted at inspiring Malaysians to strive for their dreams and Live Great.

We also leveraged Great Eastern’s 107th birthday and invited our Live Great Partners to set up booths in the Live Great Space to offer exclusive deals on health and wellness products and services to our customers and the public.

To further reach out to younger customer segments and promote our Live Great proposition, we announced our

partnership with i2inspire Sdn Bhd to sponsor the Great Eastern Viper Challenge 2016, one of Asia’s largest obstacle events. To be held at Stadium Shah Alam, Genting Highlands, and Sepang International Circuit, the Challenge will further elevate our brand to new audiences.

**LEADING THROUGH PRODUCT INNOVATION**

Our product strategy continued to be anchored on being responsive to customer trends and our focus on product innovation to address the evolving needs of our customers.

Recognising that early detection of critical illnesses and treatment increase the chances of a complete recovery, we launched *Great Early VantageCare* (GEVC) for the mass market.

In tandem with GEVC, we also introduced *Great Vantage Care* and *Great Essential Living* which offer guaranteed coverage for advanced stage critical illnesses.

In response to growing concerns about the increasing cost of healthcare and medical inflation, we expanded our suite of medical protection solutions with a major medical rider at an affordable monthly premium.



### STRENGTHENING DISTRIBUTION CAPABILITIES

Our investment in developing the core competencies and professionalism of our agency force has borne good fruit. Fuelled by best-in-class training programmes conducted at our state-of-the-art Centre for Excellence, agency productivity registered a strong double-digit growth. We also saw good growth in agency recruitment.

We rolled out a new learning management system – Learning Access and Management Platform (LAMP) – which enables our distribution force to learn at their convenience via web and mobile devices and register online for training courses. The system also provides an effective platform for e-learning and real-time interactive discussions. These have boosted agency productivity and created more opportunities for agents to learn on-the-go.

To further improve agency productivity and provide greater mobility for our agents to deliver a superior customer experience, we made notable enhancements to our financial planning toolkit. With iDream, customers can map out their life goals in a creative and fun manner through a user-friendly and interactive tablet computing interface.

### OUR GENERAL INSURANCE BUSINESS

In 2015, in response to the increasing risk of global terrorism and rising medical costs, OACM launched *Easi Shield*, a Personal Accident plan which saw good take up.

OACM's Fire portfolio showed good growth while our Motor portfolio grew steadily with our new partnerships with more local car manufacturers.

Improving operational efficiency and further streamlining of backend processes continued to take priority. A major initiative was Project REAL (Operations Process Realignment) which centralised policy documentation and claims processing at the Head Office. This has resulted in a better rationalisation of manpower at the branches and better overall management of the quality of policies issued.

### EXPANDING OUR TAKAFUL BUSINESS

Our takaful business celebrated its fifth year of operations and continued to grow steadily.

Growth was driven by strong sales in investment-linked products and increased productivity of our agency force.





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- 6-7 One big happy family.
- 8 Enhancing professionalism through continuous training.
- 9 GETB built up its distribution capabilities through TBOSS (Takaful Business Opportunity Sharing Seminars).
- 10 Fostering teamwork through our Making Life Great Workshop.



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During the year, we bolstered our agency strength with 1,100 new recruits which will put us in good stead to further penetrate and serve the underinsured and fast growing Islamic insurance market in Malaysia.

To meet the increasing demand for medical insurance, we launched *i-Medik Xtra* to complement our suite of medical plans. The *i-Medik* suite of products offers attractive incentives for customers to keep healthy.

We collaborated closely with our partner banks to provide new bancatakaful offerings, which included a savings product and an investment-linked family takaful product.

Our robust partnership with Koperasi Angkatan Tentera Malaysia Berhad in managing its Group Takaful Scheme for its over 140,000 members continued its good momentum.

Our revamped and interactive website has enabled us to better engage the community and further raise awareness of our brand and takaful solutions. We also heightened our social media presence through our 5 Great Moments In Life Photo Contest which successfully reached out to a large number of netizens.



## EMERGING MARKETS

### INDONESIA

In 2015, we continued our strategy to build a quality and sustainable business.

PT Great Eastern Life Indonesia (GELI), our Indonesian subsidiary, leveraged on the strength of the Great Eastern brand and our strategic bancassurance partnership with Bank OCBC NISP to drive business growth.

We stepped up collaboration with Bank OCBC NISP and, through the bank's network of over 300 branches across Indonesia, we were able to extend our reach to targeted customer segments to offer meaningful solutions in response to their varied needs.

We also leveraged on our Live Great Programme, with its unique health and wellness benefits, to provide customised Employees Benefits solutions to our Group Insurance customers.

With the introduction of the Financial Conglomerate (FC) regulation during the year, we aligned our Risk, Compliance and Audit functions with Bank OCBC NISP.

Indonesia's growing middle class and rising income levels present attractive opportunities for us to penetrate the affluent and emerging affluent segments with tailored insurance solutions.

We launched new tranches of *Max Prestige Heritage* and *Great Life Heritage* to meet the needs of customers seeking solutions for legacy planning and wealth preservation.

To support long-term growth, we will be significantly ramping up our investment in our Indonesia operations to upgrade our core life operating system to be in alignment with our operations in Singapore and Malaysia. This will substantially enhance our capabilities to roll out similar successful products from these core markets to our customers more speedily and seamlessly.



- 1-2 GELI continued to focus on building a quality and sustainable business.
- 3 GELI's Great Journey Workshop served as a good platform for employee engagement.
- 4 GELB geared up efforts to enhance distribution capabilities.
- 5 To reinforce our LIFE company purpose, GELV held a Vui Song (Live Great) blood donation drive.

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**VIETNAM**

During the year, Great Eastern Life Vietnam Co Ltd (GELV) rolled out a series of initiatives to further build the brand and promote customer affinity.

These included the establishment of a VIP Policyholders Care Programme which offers express customer service as well as additional Live Great health and wellness benefits.

We collaborated with private healthcare providers from Singapore – Asian Heart & Vascular Centre and Harley Street Heart & Cancer Centre – to hold healthcare seminars for our major policyholders.

Recognising that customers' needs are constantly evolving and the industry is constantly changing, we continued to focus on strengthening our agency capabilities and the quality of our agency force. Comprehensive training was provided to uplift professionalism and increase productivity while our redesigned website, targeted at attracting quality recruits, received good traction.

**BRUNEI**

In Brunei, we geared up efforts to build a quality agency force through disciplined recruitment and continuous training to enhance professionalism.

We restructured our training curriculum to equip our distribution representatives with skills and knowledge to work more efficiently and to address competency gaps. This has improved overall productivity.

To support the government's call to make insurance more inclusive and affordable for the masses, we retailored our regular premium endowment products to make them more attractive.

# HUMAN CAPITAL



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Building upon our core values of Integrity, Initiative and Involvement, we continued to develop an inclusive and collaborative workplace and high-performance culture. We inspire and empower our employees to realise their fullest potential and contribute to our overall success.

## ENGAGING OUR PEOPLE

Our signature Making Life Great (MLG) Workshops served as effective platforms for employees to share and exchange ideas as well as contribute suggestions to improve the workplace. The team bonding sessions successfully boosted engagement and further aligned employees to the company's vision.

In Singapore, we took the opportunity of Singapore's Golden Jubilee to ramp up our employee engagement and rolled out a specially curated Jubilee celebration package.

The package comprised four themes -- Live Great with Colleagues which featured a fun team race around Singapore's heritage landmarks; Live Great with Family where employees were given passes to visit iconic cultural and historical attractions with their family; Live Great with GE where employees showcased their creative and artistic talents in an office decoration competition; and Live Great by Giving Back where senior management gamely donned colourful tutu skirts to raise funds for the underprivileged and joined 300 employees in a charity walk to mark the company's 107th birthday. Employees also received a special limited

edition SG50 Gold GE Ez-link card. Those who submitted meaningful wishes had their wishes fulfilled as part of our nationwide SG50 Wishes campaign while those who welcomed a newborn received a customised SG50 Baby gift hamper to celebrate parenthood.

In Malaysia, MLG activities were held across the country at locations ranging from tea plantations to water theme parks to beaches. Whether it was participating in a hike, futsal competition or traditional games, the overall objective was to foster teamwork and create a collaborative work culture.

In Indonesia, a series of "3Is" training workshops was conducted to reinforce our core values of Integrity, Initiative, Involvement as well as the importance of teamwork.

A Family Day was held in Vietnam to thank family members of employees and agents for their support. In addition to fun-filled games, a highlight was a cooking competition where various departments showcased their culinary skills.

Our active engagement has borne good fruit and Great Eastern has continued to be ranked amongst the Best Employers in Asia in Aon Hewitt's Best Employer Survey.

In Malaysia, we were conferred the 100 Leading Graduate Employers Award for the seventh consecutive year, testament to the company being an employer of choice.



- 1 To celebrate Singapore's Golden Jubilee and Great Eastern turning 107, GELS rolled out specially curated SG50 Jubilee Celebration Live Great packages to employees.
- 2 MLG Workshop in Malaysia – Pulling together for greater success.
- 3 Our energetic distribution force – committed to helping customers achieve their financial and wellness goals.
- 4 Our Go Green Health and Wellness campaign successfully encouraged employees to lead a healthier lifestyle and reduce their health risks.
- 5 Learning more about our core values and teamwork at GELI's Great Journey Workshop.
- 6 Happy faces at GELV's Family Day.



As a LIFE company, we are committed to empower our employees to live healthier, better and Live Great. This is anchored by the LIFE Programme, a multi-award winning employee health and wellness incentive programme.

In Singapore and Malaysia, participation increased to 85% and 70% respectively while a good 74% of participants maintained their health profile within the healthy green zone.

To encourage employees to take the first step to make healthy lifestyle changes and target the green zone, a Go Green Health and Wellness campaign was held in Singapore and Malaysia. Employees who pledged to Go Green were each given a kit to start them on their journey to a healthier lifestyle. Specially curated workshops and exercise classes were held.

In Malaysia, participants were additionally encouraged to take the extra step to Go Green by reducing the use of packaging for takeaway food. In Indonesia, health checks and talks were organised to encourage employees to lead healthier lifestyles.

### TALENT MANAGEMENT

Talent management remains a key priority and we continued to focus on empowering our employees to grow as individuals and as professionals.

Career development is a key pillar of our total rewards strategy. Recognising that, we developed a Career Roadmap Framework for the Group to strengthen and grow our bench strength.

Designed to empower employees to take charge of their careers, the framework helps employees visualise their career track, salary benchmarking, chart their career progression and identify training needs to equip them with the necessary skills and knowledge for lateral or vertical progression.

Management can also utilise the tool to engage with potential employees to ensure that expectations are matched. The framework has been launched in Singapore and will be rolled out progressively in Malaysia and Indonesia.

### OUR PROFESSIONAL DISTRIBUTION FORCE

Across the Group, our 20,000-strong distribution representatives rank among the most well-trained and most productive.

They remain committed to delivering quality and professional advice to meet the increasingly sophisticated needs of customers and going the extra mile to help them achieve their financial and wellness goals.

# CORPORATE SOCIAL RESPONSIBILITY



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Beyond creating value for our customers, we also strive to deliver our best to society. As a LIFE company, we champion every effort that enables us to enrich lives and inspire others to Live Great.

Our corporate social responsibility (CSR) activities reflect our ongoing commitment to make a meaningful contribution to the communities we operate in.

## LIVING GREAT THROUGH SPORTS

In Singapore, our Great Eastern Women's Run (GEWR) celebrated 10 years of empowering women to live healthy and to live great through running. A record 17,000 women of all ages and all walks of life participated in the Run. For the first time, the Run featured a Princess Dash category over 100 metres for girls aged 3 to 9 years.

In conjunction with the milestone year, we leveraged on the Run to raise funds for three worthy women and children related causes – Breast Cancer Foundation, Community Chest (for children with special needs) and SingHealth Duke-NUS OBGYN Academic Clinical Program, a programme to fund research to improve clinical and health care for women and their babies.

The much needed funds were raised through three initiatives – *Don A Tutu For A Cause* where for a minimum donation of S\$5, participants were provided with a tutu which they were encouraged to don on race day in support of charity; *Run and Raise* where participants were encouraged to run and raise funds from family and friends through the GEWR fundraising portal; as well as the Corporate Charity Category where corporate partners donated S\$1,000 for a team of four.

Engaging in sports plays an important role in promoting health and wellness among children, as well as supports their social development. During the year, we leveraged on our partnership with the S.League to organise football clinics for over 200 needy children from The Straits Times School Pocket Money Fund, Beyond Social Services and Pertapis Children's Home in conjunction with the Great Eastern Charity Shield and Great Eastern SG50 Wishes campaign.

In Malaysia, our Largest Zumba Fitness Party attracted close to 6,000 participants and earned us an entry into the Malaysia Book of Records. The inaugural Great Eastern Colour My Heart Run organised in collaboration with the Heart Foundation of Malaysia (Yayasan Jantung Malaysia) succeeded in promoting the importance of leading a healthy



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- 1 Over 500 girls, including those from schools for children with special needs, participated in GELS' inaugural Princess Dash.
- 2 Helping the needy elderly to keep active.
- 3 GELS organised football clinics for underprivileged children to promote a healthy lifestyle through sports.
- 4 To promote financial literacy to the community, GELI supported the Financial Literacy Car programme in several cities.
- 5 More children supported by GELM's Program Aspirasi Gemilang 'A' achieved A's in the national examinations.



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lifestyle among Malaysians. The Run in Kuala Lumpur and Penang drew 16,500 runners and raised RM82,475 for the Heart Foundation.

In Vietnam, we expanded our Vui Song (Live Great) outdoor fitness spaces to 12 locations in Ho Chi Minh City, Hanoi and Bien Hoa province to further encourage healthy living and the importance of regular exercise to the community.

**HELPING OUR YOUNG AND ELDERLY LIVE GREAT**

Throughout the year, our employees and distribution representatives volunteer their time and expertise to organise activities and raise funds for needy children and elderly beneficiaries. These are integral to our ongoing efforts to build a more inclusive society.

In conjunction with the Great Eastern Charity Shield, S\$133,000 was raised for 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.

Close to S\$140,000 was also raised for our ChildrenCare and GoldenCare beneficiaries – MINDS Fernvale Gardens School for children with special needs and AWWA Community Home for Senior Citizens (AWWA) for needy elderly. The

funds support a range of projects, including activities which foster interactions between our people and our young and senior friends.

We collaborated with OCBC Bank to work with youth volunteers to host a gardening session for the elderly from AWWA at HortPark. Another joint community initiative was the preparation and distribution of packs of fortified rice meals for 350 needy households.

In Malaysia, GELM raised RM145,000 for our ChildrenCare Programme through a myriad of fundraising activities. Our employees and distribution representatives also volunteered time to spread festive cheer to underprivileged children and brought them on an educational visit to the National Zoo while others were treated to an afternoon of ice skating. Selected children's homes also benefited from our donations of water filters, printers and computers.

Our OACM colleagues came together to raise funds for the Yayasan Sunbeam Home for displaced, abused and neglected children of single parents.

In Vietnam, GELV donated school supplies and winter clothes to over 400 underprivileged students.



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### EMPOWERMENT THROUGH EDUCATION

Great Eastern believes that education is the key to a better future for all.

As part of our efforts to support education, in Singapore, we contributed S\$50,000 to the Lee Kuan Yew Education Fund. In Malaysia, we awarded scholarships worth RM1.2 million to deserving students through the Great Eastern Supremacy Scholarship Award.

Our long-standing collaboration with Jabatan Kebajikan Masyarakat (JKM) to support the academic development of disadvantaged children saw good success. In 2015, there was a notable increase in the number of A's achieved in the national examinations by children from JKM institutions supported by our Program Aspirasi Gemilang 'A'.

In addition, we created learning opportunities which promoted the development of social competencies and other soft skills. Forty underprivileged children were introduced to the exciting world of robotics and robotics programming while children from Tengku Budriah Home enjoyed a field trip to Aquaria KLCC to experience the diversity of marine life.

GETB launched its CSR programme Bijak Amwal 'Empowering Minds'. Endorsed by the Malaysia Ministry of Education, the programme promotes early awareness among school going

children on takaful and financial literacy. We also extended zakat contributions to deserving school children.

GELI actively supported OJK's (Otoritas Jasa Keuangan) efforts to promote financial literacy to the community in Indonesia. These ranged from our participation in the People's Financial Market (Pasar Keuangan Rakyat) exhibition, collaboration with Parents Indonesia Magazine, to our support for the Financial Literacy Car (Mobil Literasi Keuangan) programme.

In Vietnam, we granted scholarships to underprivileged students with outstanding academic performance.

### OTHER COMMUNITY INITIATIVES

In Singapore, we supported local football legend Quah Kim Song's fundraising efforts for Children's Cancer Foundation. President Tony Tan Keng Yam was the Guest-of-Honour at the charity football match and the launch of Mr Quah's football memoirs at the Padang.

GELS joined 60 corporations in the Football with a Heart tournament. The tournament raised over S\$600,000 in support of 10 charities, including the President's Challenge, Society for the Physically Disabled and Singapore Cancer Society as well as SportCares, which helps underprivileged children and youths at risk through sports programmes.





- 6 GELM's Colour My Heart Run raised RM82,475 for the Heart Foundation of Malaysia.
- 7 To mark its 40th year of operations, GELB donated a wading pool to benefit children with autism.
- 8 GELI joined the industry to donate boats to fishermen to improve their livelihoods.
- 9 GELS colleagues and their OCBC Group counterparts participated in several joint CSR initiatives during the year.
- 10 GETB launched Bijak Amwal 'Empowering Minds' to promote takaful and financial literacy to school children.
- 11 GELM's Program Aspirasi Gemilang 'A' has grown from strength to strength.



We donated S\$30,000 towards the SG50 Insurance Charity Golf in support of seven charities and was also the travel insurance sponsor for a special Singapore Airlines SG50 Charity Flight for 300 Community Chest beneficiaries.

GELI participated in an industry-wide CSR activity in North Galesong Village, South Sulawesi, organised by the Indonesia Life Insurance Association (AAJI), to donate 15 boats to the village fishermen to help improve their livelihoods.

GELV management led employees, agents and policyholders in the annual Vui Song blood donation drive.

To mark 40 years of business operations in Brunei, GELB donated a wading pool and sandpit to the Society for the Management of Autism Related issues in Training, Education and Resources (SMARTER), for the children to have fun interacting with friends and family.

During the year, we donated US\$10,000 towards the Myanmar Insurance Business Regulatory Board's efforts to help lives affected by severe floods.

# YEAR IN REVIEW (HIGHLIGHTS)



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## JANUARY

- GELS presented its SG50 Jubilee Baby Gift Packs to the first 50 babies delivered at KK Women's and Children's Hospital.
- GELM set a national record for the largest number of participants for a Zumba event in Malaysia.
- GELM announced its exclusive Malaysian sponsorship for the inaugural Asia's Got Talent (AGT) 2015.

## FEBRUARY

- GELS extended its sponsorship of the S.League for two seasons.
- GELS' SG50 Wishes campaign got off to a good start with football clinics for underprivileged children.
- GELM awarded the Billion Dollar Brand Award by Brand Laureate.
- GELI launched new tranches of *Max Prestige Heritage* and *Great Life Heritage* for affluent customers.
- GETB launched *i-Medik Xtra* to complement its suite of medical plans.

## MARCH

- GELS topped the Life Insurance Category in the Customer Satisfaction Index of Singapore 2014 Survey.
- In conjunction with the Great Eastern Charity Shield, GELS raised S\$133,000 for The Straits Times School Pocket Money Fund in support of needy school children.
- In conjunction with AGT, GELM held Superstar ME in three major cities.
- GELV won the Golden Dragon Award for the sixth consecutive year.

## APRIL

- GELS launched *Smart Life Advantage*.
- The FitForLife health and wellness fair, a joint initiative by GELM and The Star, attracted 40,000 visitors.
- Great Eastern Colour My Heart Run 2015 was held in Penang.
- GELI re-launched its Employee Benefits Programme for SME businesses.
- GETB's 5 Great Moments In Life Photo Contest attracted good response from netizens.

## MAY

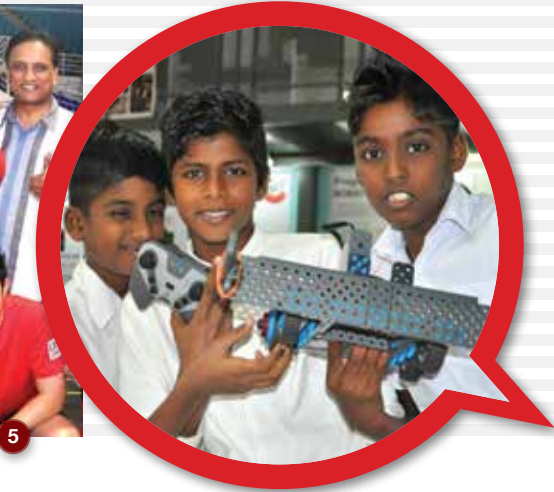
- GELS launched *MaxRetirement Flex*.
- GELS sponsored travel insurance for Singapore Airlines' SG50 Charity Flight for Community Chest beneficiaries.
- GELM launched *Great Early VantageCare* and *Great VantageCare*.
- Great Eastern Colour My Heart Run 2015 in Kuala Lumpur was a good success.
- GELV held two healthcare seminars in collaboration with private healthcare providers from Singapore.

## JUNE

- GELS and GELM garnered the Reader's Digest Trusted Brand Gold Award.
- GELM's Learning Access & Management Platform (LAMP) for the distribution force was launched.
- GELM presented cash awards to underprivileged children under ChildrenCare Programme Aspirasi Gemilang 'A'.



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- 1 GELM's Zumba event.
- 2 The 10th edition of the Great Eastern Women's Run.
- 3 The inflatable rock climbing wall proved popular with Colour My Heart Run participants.
- 4 GELS Men-In-Tutus Challenge.
- 5 FitForLife Health and Wellness Fair.
- 6 GELM organised a Young Roboticist Camp for underprivileged children.

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**JULY**

- The Great Eastern Women's Run was launched at the Singapore Sports Hub.
- *PremierLife Generation* was launched by GELS.
- GELS and OCBC jointly launched *Single Premium SG50*.
- GELM launched *Smart Extender Max*.

**AUGUST**

- Great Eastern turns 107.
- In Singapore, specially curated SG50 Jubilee Celebration Live Great packages were rolled out to GELS employees.
- GELS Men-In-Tutus Challenge raised over S\$28,000 for charity.
- GELS launched *Prime Retirement*.
- GELM awarded Supremacy Scholarships to needy students.
- GELM received the Brand Laureate Award for Brand Excellence in Life Insurance (Product Innovation).
- GELB donated a wading pool and sandpit to help children with autism.

**SEPTEMBER**

- GELS launched HIS (Health Insurance System) to enhance management of its health insurance portfolio.
- GELI participated in People's Financial Market (Pasar Keuangan Rakyat) exhibition to promote the importance of financial planning.
- GETB launched Bijak Amwal, a CSR initiative to help needy students.
- GELV Vui Song Blood Drive was a good success.

**OCTOBER**

- GELS launched *Prestige Life Rewards* and *Prestige Harvest*.
- GELS' CIF (Customer Information File) provides an integrated view of Life, General and Group Insurance customers.
- Great Eastern Women's Run garnered three awards at the Marketing Events Awards 2015.
- The FitForLife fair was held in Penang for the first time.
- GELI participated in Financial Literacy Car (Mobil Literasi Keuangan) programme.

**NOVEMBER**

- The 10th edition of the Great Eastern Women's Run saw a record turnout and raised much needed funds for women and children related causes.
- GELS and OACS awarded the prestigious Singapore Golden Jubilee Business Awards.
- GELS bagged two silver awards at the HR Vendors of the Year 2015 Awards.
- GELM named Malaysia's 100 Leading Graduate Employers (Insurance Category) for 7th consecutive year.
- GELM organised a Young Roboticist Camp for underprivileged children.
- GELM announced its title sponsorship for the Great Eastern Viper Challenge to be held in 2016.

**DECEMBER**

- GELS Kids@Work featured the theme 'Kindness In Action'.
- GELM ChildrenCare activities ended on a high note with an ice skating outing for needy children.

# AWARDS AND ACCOLADES



Brand Laureate Billion Dollar Brand Award.



HR Vendors of the Year 2015 Awards.



Singapore Golden Jubilee Business Awards.

In 2015, Great Eastern was recognised for our customer-centricity, service excellence, innovation and the strength of our brand.

These accolades reflect the good teamwork and our commitment to continuously raise standards across the Group.

## SINGAPORE

### Singapore Golden Jubilee Business Awards

*Awarded to Great Eastern Life Assurance Co Ltd and Overseas Assurance Corporation Ltd*  
Singapore Business Federation

### Top Insurer (Life Insurance Category) Customer Satisfaction Index Singapore 2014

Institute of Service Excellence, Singapore Management University

### Ranked 8th in Top 100 Singapore Brands

Brand Finance

### Trusted Brand Gold Award 2015

Reader's Digest

### Special Events (Gold)

Community Chest

### Best Sport-Oriented Event (Gold) Best Sponsorship Activation (Silver) Best Home-Grown Event (Silver)

Marketing Events Awards 2015, Marketing Magazine

### Best Employee Insurance Vendor (Silver)

### Best Retirement and Pension Plan Provider (Silver)

HR Vendors of the Year 2015 Awards, Human Resources magazine

## MALAYSIA

### Billion Dollar Brand Award

BestBrands Awards 2014 – 2015, Brand Laureate

### Brand Excellence in Life Insurance (Product Innovation)

Special Edition World Awards 2014 – 2015, Brand Laureate

### Frost & Sullivan Malaysia Excellence Awards 2015: Customer Experience

Frost & Sullivan

### Trusted Brand Gold Award 2015

Reader's Digest

### The Malaysia Book of Records 2015

*For the largest Zumba fitness party*

### Malaysia's 100 Leading Graduate Employers 2015 (Insurance Category)

GTI Media

### Educational Achievement Award 2015

LOMA

## INDONESIA

### 1st Rank, The Most Profitable Investment Islamic Life Insurance Sharia Unit for category asset IDR < 150 billion

### 2nd Rank, The Best Islamic Life Insurance Sharia Unit for category asset IDR < 150 billion

11th Islamic Finance Awards 2015, KARIM Business Consulting

## VIETNAM

### Golden Dragon Award

Vietnam Economic Times Magazine and the Ministry of Planning & Investment

# CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Great Eastern Holdings Limited (“GEH” or the “Company”) place great importance on high standards of corporate conduct 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”).

Following the approval 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 2005 and the Banking (Corporate Governance) (Amendment) Regulations 2010, and any exemptions thereto (collectively, the “CG Regulations”), as well as the corporate governance guidelines issued by MAS on 3 April 2013 which are applicable to financial holding companies that are incorporated in Singapore (the “MAS CG Guidelines”). The Company also observes the Code of Corporate Governance 2012 (the “Code”) as part of its listing obligations. Where differences exist between the requirements of the above, the Company follows the CG Regulations.

## THE BOARD'S CONDUCT OF AFFAIRS

### Board's responsibilities and accountability

The Company's Board provides strategic direction to the Company and the Group and its principal role and functions include the following:

- (a) reviewing and approving the overall business strategy as well as the organisation structure of the Company and the Group 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;
- (c) ensuring that interests of shareholders 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 meet 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 any transaction for 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, and the selection and appointment of senior executive officers;
- (k) establishing corporate values and standards, 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;
- (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 and accord 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; and
- (o) maintaining records of all Board and Board Committee meetings, in particular, records of discussions on key deliberations and decisions taken.

# CORPORATE GOVERNANCE REPORT

The Company has adopted internal guidelines on matters which require Board approval. 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.

## Board Committees

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 written terms of reference.

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. Details of the roles and principal responsibilities of the Board Committees are set out in the relevant sections on the respective Board Committees in this Report. Minutes of all Board Committee meetings, which provide a fair and accurate record of the discussions and the key deliberations and decisions taken during the meetings, are maintained, and are circulated to the Board on a regular basis.

## Meetings and Directors’ attendance

The Board meets regularly during the year, to review the business performance and key activities of the Group presented by Management, and to consider business proposals of a significant nature. 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 the Management remains accountable to the Board. Where warranted by particular circumstances, *ad hoc* Board or Board Committee meetings will be convened. In 2015, the Board held six scheduled Board meetings including one Board Retreat. 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.

The number of meetings of the Board and Board Committees held in 2015 and the attendance of the Directors at those meetings are tabulated on the next page.

# CORPORATE GOVERNANCE REPORT

## Directors' attendance at Board and Board Committee meetings in 2015

Name of Director	Board (including Board Retreat)		Nominating Committee			Audit Committee	
	No. of Meetings		No. of Meetings			No. of Meetings	
	Scheduled		Scheduled		Ad hoc	Scheduled	
	Held	Attended	Held	Attended	Attended	Held	Attended
Koh Beng Seng	6	6	1	1	5	–	–
Cheong Choong Kong	6	6	1	1	5	–	–
Norman Ip	6	6	1	1	4	–	–
Law Song Keng	6	6	–	–	–	4	4
Lee Chien Shih	6	6	1	1	5	–	–
Kyle Lee Khai Fatt	6	6	1	1	5	4	4
Soon Tit Koon <sup>(1)</sup>	–	–	–	–	–	–	–
Tan Yam Pin	6	6	–	–	–	4	4
Samuel N. Tsien	6	6	–	–	–	–	–
Wee Joo Yeow <sup>(2)</sup>	–	–	–	–	–	–	–

Name of Director	Remuneration Committee			Executive Committee			Risk Management Committee	
	No. of Meetings			No. of Meetings			No. of Meetings	
	Scheduled		Ad hoc	Scheduled		Ad hoc	Scheduled	
	Held	Attended	Attended	Held	Attended	Attended	Held	Attended
Koh Beng Seng	1	1	1	4	4	1	6	6
Cheong Choong Kong	–	–	–	4	4	1	–	–
Norman Ip	1	1	1	4	4	1	–	–
Law Song Keng	–	–	–	4	4	1	6	6
Lee Chien Shih	1	1	1	–	–	–	–	–
Kyle Lee Khai Fatt	–	–	–	–	–	–	–	–
Soon Tit Koon <sup>(1)</sup>	–	–	–	–	–	–	–	–
Tan Yam Pin	–	–	–	–	–	–	6	6
Samuel N. Tsien <sup>(3)</sup>	–	–	–	–	–	–	6	6
Wee Joo Yeow <sup>(2)</sup>	–	–	–	–	–	–	–	–

**Notes:**

<sup>(1)</sup> Appointed as Director and Member of Risk Management Committee on 1 January 2016.

<sup>(2)</sup> Appointed as Director and Member of Remuneration Committee on 1 January 2016.

<sup>(3)</sup> Mr Samuel N. Tsien attended all Remuneration Committee and Executive Committee meetings held during the financial year by invitation of the relevant committees.

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

There were more than 2 Board sessions without Management held in 2015. 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 2015 – Nominating Committee: 5, Remuneration Committee: 1, Executive Committee: 1

# CORPORATE GOVERNANCE REPORT

## BOARD COMPOSITION AND GUIDANCE

### Board Membership

The Company's present Board of ten Directors comprises an Independent Chairman, Mr Koh Beng Seng and nine other non-executive Directors. The nine non-executive Directors are Dr Cheong Choong Kong, Mr Norman Ip, Mr Law Song Keng, Mr Lee Chien Shih, Mr Kyle Lee Khai Fatt, Mr Soon Tit Koon, Mr Tan Yam Pin, Mr Samuel N. Tsien and Mr Wee Joo Yeow.

Mr Norman Ip stepped down as Acting Group Chief Executive Officer ("Acting Group CEO") on 2 November 2015 and continued to serve on the Board of the Company as a non-executive Director.

Mr Soon Tit Koon and Mr Wee Joo Yeow were appointed to the Board on 1 January 2016 and will be subject to re-election at the Company's AGM on 19 April 2016 pursuant to the Company's Constitution.

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

### Key information on Directors

The key information on each Director is set out under the sections 'Board of Directors' and 'Further Information on Directors' of the Company's Annual Report. Directors' interests in shares and share options in the Company and in the Company's parent company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") and other related corporations are disclosed in the Directors' 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.

### Board Composition and Independence

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 has not served for more than nine years on the Board.

The Board is required to have at least one-third of Directors who are independent Directors and at least a majority of Directors who are independent from management and business relationships.

The Company's Board comprises at least one-third 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 Koh Beng Seng, Mr Norman Ip, Mr Law Song Keng, Mr Kyle Lee Khai Fatt and Mr Soon Tit Koon.

Mr Norman Ip, an independent Director, was called upon to serve as the Acting Group CEO from 1 July 2014 until Mr Khor Hock Seng's appointment as Group Chief Executive Officer ("Group CEO") on 2 November 2015. Mr Norman Ip was considered as an independent Director upon his cessation as Acting Group CEO on 2 November 2015.

Under the CG Regulations, Dr Cheong Choong Kong, Mr Lee Chien Shih and Mr Tan Yam Pin are deemed not independent as they have served for more than nine years on the Board.

Dr Cheong Choong Kong and Mr Wee Joo Yeow sit on the board of OCBC Bank and hence under the CG Regulations, are not independent from substantial shareholder, but have been determined by the Nominating Committee to be independent from management and business relationships with the Company and its subsidiaries.

Mr Lee Chien Shih is deemed non-independent from substantial shareholder, but is independent from management and business relationships. Mr Tan Yam Pin, a non-executive Director, is independent from management and business relationships. Mr Samuel N. Tsien is a non-independent Director as he is the CEO and executive Director of OCBC Bank.

The current Board complies with the requirements on Board composition and Board independence under the CG Regulations. Five out of ten of the Board members are independent Directors and nine out of ten Directors are independent from management and business relationships with the Company and its subsidiaries.

The Board, through its Nominating Committee, is of the view that the current Board size facilitates effective decision making, taking into account the scope and nature of the operations of the Company and the Group.

The Board members of the Company are from diverse backgrounds 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 (including



# CORPORATE GOVERNANCE REPORT

key products and customers) and actuarial science, investment and asset management (including real estate and property), knowledge in banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities.

With the knowledge, objectivity and balance contributed by the non-executive Directors, they constructively challenge and help develop proposals on strategy and review the performance of Management against agreed goals and objectives and monitor the reporting of performance.

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

## **CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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. The Chairman and the Group CEO are not related to each other.

The principal responsibilities of the Chairman include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board, 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 executive and non-executive Directors and 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.

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 the 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 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 part of the executive management team. The Chairman, a non-executive Director, performs an effective check and balance on management. As part of its continuous assessment of corporate governance standards, the Board will appoint a Lead Independent Director when the Board situation warrants it.

## **PROCESS FOR APPOINTMENT OF NEW DIRECTORS**

### **NOMINATING COMMITTEE**

The Nominating Committee is required to comprise at least five Directors, with at least one-third of Directors being independent Directors and at least a majority being independent from management and business relationships.

The Nominating Committee comprises the following Directors:

- Dr Cheong Choong Kong, Chairman
- Mr Koh Beng Seng, Member
- Mr Norman Ip, Member
- Mr Lee Chien Shih, Member
- Mr Kyle Lee Khai Fatt, Member

All the members are independent from management and business relationships and at least one-third, being Mr Koh Beng Seng, Mr Norman Ip and Mr Kyle Lee Khai Fatt, are independent Directors under the CG Regulations.

The appointment of Nominating Committee members is subject to the prior written approval of MAS.

The responsibilities of the Nominating Committee are set out in its Board-approved terms of reference. The Nominating Committee is responsible for identifying candidates, reviewing and recommending nominations and/or re-nominations of Directors on the Board and Board Committees. It also reviews nominations and makes recommendations to the Board for key senior management positions in the Company and the Group.

The Nominating Committee has a key role in carrying out the formal and transparent process established for the appointment of new Directors to the Board. Having regard to the competencies and skills collectively required by the Board, the

# CORPORATE GOVERNANCE REPORT

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 the 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.

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.

The Nominating Committee held a total of six meetings in 2015.

## **Re-nomination and Re-appointment of Directors**

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. In accordance with 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/re-appointment 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.

## **Board Orientation and Training**

A formal appointment letter will be issued to every new Director. Newly-appointed Directors will be apprised of their statutory 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 will brief new Directors on the Group's principal activities 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 Directors and to enable them to have a more comprehensive understanding of the Group, the insurance business and practices and the Group's financial statements.

The Nominating Committee ensures 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 Directors are continually updated on developments affecting the insurance industry. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry 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 programme for Directors. Continued training and development programmes for Directors are more flexible and Directors 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.

The Company funds the training and development programmes for existing and new Directors that it arranges.

# CORPORATE GOVERNANCE REPORT

## BOARD PERFORMANCE

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 and conducts a self-assessment and a peer-assessment of the other members of the Board. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. Aon Hewitt Singapore Pte Ltd is engaged to facilitate the process, provide industry benchmarks and maintain confidentiality of results.

The Board has found that such individual assessments by the Directors are useful and constructive since the implementation of such evaluation process several 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 and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. 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. The Nominating Committee annually assesses each Director's attendance record and degree of participation at meetings.

## ACCESS TO INFORMATION

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. In respect of matters for 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 Committee 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.

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

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

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 flows within the Board and Board Committees and between senior management 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.

The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively, at the expense of the Company or the Group, as applicable. Similarly, the Board and each Board Committee may obtain the professional advice that it requires to assist in its work.

## PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

### REMUNERATION COMMITTEE

The Remuneration Committee is required to comprise at least three Directors, with at least one-third of Directors being independent Directors and at least a majority being independent from management and business relationships.

# CORPORATE GOVERNANCE REPORT

The Remuneration Committee comprises the following Directors:

- Mr Norman Ip, Chairman
- Mr Koh Beng Seng, Member
- Mr Lee Chien Shih, Member
- Mr Wee Joo Yeow, Member

All the members are independent from management and business relationships. Mr Koh Beng Seng and Mr Norman Ip are independent Directors under the CG Regulations.

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 individual Directors and senior management executives.

The principal responsibilities of the Company's Remuneration Committee 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, 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.

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.

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 compensation 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.

In 2015, 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, and on its staff benefits program. Towers Watson is not related to the Company and the Company is not aware of any business or personal relationships between Towers Watson and the Company's Directors and key management executives.

The Remuneration Committee held two meetings in 2015.

## **Remuneration of non-executive Directors**

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. No Director is involved in deciding his own remuneration.

The Remuneration Committee performs an annual review of the fee 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 and approval. The Directors' fees proposed by the Board each year are subject to shareholders' approval at the Company's AGM.

# CORPORATE GOVERNANCE REPORT

The Remuneration Committee has considered the market practices for non-executive Director 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 the financial year ended 31 December 2015 (“FY2015”) as that used in the previous financial year:

		Annual retainer
<b>Board</b>	Chairman	\$300,000
	Member	\$75,000
<b>Board Committees</b>	<u>Chairman:</u> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Executive Committee</li> <li>• Risk Management Committee</li> </ul>	\$60,000
	<u>Chairman:</u> <ul style="list-style-type: none"> <li>• Nominating Committee</li> <li>• Remuneration Committee</li> </ul>	\$30,000
	<u>Member:</u> <ul style="list-style-type: none"> <li>• Audit Committee</li> <li>• Executive Committee</li> <li>• Risk Management Committee</li> </ul>	\$30,000
	<u>Member:</u> <ul style="list-style-type: none"> <li>• Nominating Committee</li> <li>• Remuneration Committee</li> </ul>	\$15,000
<b>Attendance fees per Board or Board Committee meeting</b>		\$3,000

The attendance fee is paid to non-executive Directors to recognise their commitment and time spent in attending meetings.

## Remuneration policy in respect of executive Director and key senior management executives

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

The remuneration of the Group CEO, the respective CEOs of the Company’s principal insurance subsidiaries 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.

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 variable compensation payments shall not be finalised over short periods when risks are realised over long periods.

The basic component of the remuneration package comprises a monthly basic salary. 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. Such components comprise a performance-based variable bonus and long-term incentives, which are generally paid/awarded once a year.

In awarding long-term incentives, including the grant of share options to the senior executives, the Remuneration Committee also takes into account their potential for future development and contribution to the Group.

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

# CORPORATE GOVERNANCE REPORT

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 compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to 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.

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

## Disclosure on Directors' remuneration

The total Directors' remuneration from the Company in respect of FY2015 is shown in the table below. Non-executive Directors will be paid Directors' fees totalling \$1,930,000 in respect of FY2015, subject to shareholders' approval at the Company's AGM on 19 April 2016. For the financial year ended 31 December 2014, non-executive Directors were paid Directors' fees totalling \$1,821,000.

A payment of \$1,360,000 has been proposed as a Special Director's fee in recognition of Mr Norman Ip's contributions to the Company during the period of Group CEO transition in FY2015. This award is subject to shareholders' approval at the forthcoming AGM.

## Directors' and Group CEO's remuneration for FY2015

Name of Director	Total Remuneration \$'000	Salary & Fees \$'000	Special Director's Fee \$'000	Bonuses <sup>(1)</sup> \$'000	Long-term incentives <sup>(2)</sup> \$'000	Benefits-in-kind <sup>(3)</sup> \$'000
Koh Beng Seng <sup>(9)</sup>	569	557	–	–	–	12
Cheong Choong Kong	189	189	–	–	–	–
Norman Ip <sup>(4)(9)</sup>	1,605	235	1,360	–	–	10
Law Song Keng	231	231	–	–	–	–
Lee Chien Shih	150	150	–	–	–	–
Kyle Lee Khai Fatt <sup>(5)</sup>	204	204	–	–	–	–
Soon Tit Koon <sup>(6)</sup>	–	–	–	–	–	–
Tan Yam Pin	186	186	–	–	–	–
Samuel N. Tsien <sup>(7)(9)</sup>	177	177	–	–	–	–
Wee Joo Yeow <sup>(6)</sup>	–	–	–	–	–	–
<b>Group CEO</b>						
Khor Hock Seng <sup>(8)</sup>	224	183	–	–	–	41

### Notes:

- <sup>(1)</sup> Bonuses comprise variable bonus paid in 2015 and long-term incentive take-out.
- <sup>(2)</sup> Represents fair value of grant of shares options under the OCBC Share Option Scheme 2001 and award of deferred shares under the OCBC Deferred Share Plan.
- <sup>(3)</sup> Represents non-cash-component and comprises housing allowance, car, club, insurance benefits and employer's contribution to the Central Provident Fund.
- <sup>(4)</sup> Stepped down as Acting Group CEO on 2 November 2015. In addition to fees paid by GEH, Mr Norman Ip also received Director's fee amounting to \$200,208 from his directorships in GEH subsidiaries in Singapore and Malaysia.
- <sup>(5)</sup> Mr Kyle Lee Khai Fatt received Director's fee amounting to \$40,500 from his directorship in a GEH subsidiary in Singapore.
- <sup>(6)</sup> Appointed as Director on 1 January 2016.
- <sup>(7)</sup> The Director's fee attributable to Mr Samuel N. Tsien is paid to OCBC Bank.
- <sup>(8)</sup> Appointed as Group CEO on 2 November 2015.
- <sup>(9)</sup> Includes standard meeting attendance fees for attending Strategy Working Group meetings as member or observer.

# CORPORATE GOVERNANCE REPORT

After careful consideration, the Company has decided not to disclose information on the names and remuneration of the top five key management executives as well as their aggregate remuneration as the disadvantages to the Group's business interests would far outweigh the benefits of such disclosure, in view of the disparities in remuneration in the industry and the competitive pressures that are likely to result from such disclosure.

None of the Directors or the Group CEO had immediate family members who were employees of the Company in 2015.

## Share-based incentives

The Company does not have any share option scheme or share plan in place. Instead, the Company's holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 and awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Group, based on recommendations of the Remuneration Committee.

Details of the share options and share awards granted 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 32 of the Notes to the Financial Statements and in OCBC Bank's Annual Report.

## ACCOUNTABILITY

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.

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 Singapore Exchange Securities Trading Limited ("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.

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.

## AUDIT COMMITTEE

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.

The Audit Committee comprises the following Directors:

- Mr Kyle Lee Khai Fatt, Chairman
- Mr Law Song Keng, Member
- Mr Tan Yam Pin, Member

All the members are independent from management and business relationships and a majority, being Mr Kyle Lee Khai Fatt and Mr Law Song Keng, are independent Directors under the CG Regulations.

Members of the Audit Committee are appropriately qualified to discharge their responsibilities. In particular, Mr Kyle Lee Khai Fatt and Mr Tan Yam Pin have relevant accounting and auditing experience and all the Audit Committee members have 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 functions prescribed in Section 201B(5) of the Companies Act (Chapter 50), the Code, the SGX-ST Listing Manual, the CG Regulations and the MAS CG Guidelines and operates within Board-approved written terms of reference which set out the Audit Committee's authority and duties.

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.

The Audit Committee held a total of four meetings in 2015, and its members' attendance at these meetings is disclosed in this Report. The Audit Committee meetings were attended by the internal and external auditors, the Group CEO and certain senior management executives, including the Group Chief Financial Officer ("Group CFO").

# CORPORATE GOVERNANCE REPORT

The functions performed by the Audit Committee and details of the Audit Committee's activities during FY2015 included the following:

1. Reviewed with the internal auditor –
  - 1.1 their audit plans, their evaluation of the system of internal controls and their audit reports;
  - 1.2 the scope and results of the internal audits; and
  - 1.3 the assistance given by the officers of the Company and the Group to the auditors.
2. Reviewed with the external auditor –
  - 2.1 the audited financial statements of the Company and the Group for the financial year for submission to the Board for consideration and approval thereafter;
  - 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;
  - 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
  - 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.
3. Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company and its principal subsidiaries, including financial, operational, compliance and information technology controls and systems established by Management.
4. Reviewed the effectiveness of the internal audit functions of the Company and its principal subsidiaries.
5. Performed the review of the independence of the external and internal auditors.
6. 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.
7. Reviewed material related party transactions as may be required by the relevant regulatory authorities, and recommend to the Board for approval.
8. 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.

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 FY2015, 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 8 of the Notes to the Financial Statements for details of fees payable to the external auditor in respect of audit and non-audit services.

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, Messrs Ernst & Young LLP, the Audit Committee has nominated the re-appointment of Messrs Ernst & Young LLP at the forthcoming AGM. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its auditors.

The Group has also instituted a whistle-blowing policy whereby staff of the Group may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. 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 has acted in good faith.

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.



# CORPORATE GOVERNANCE REPORT

## INTERNAL CONTROLS

The Company has in place, self-assessment processes for all business units to assess and manage 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. The Board has received assurance from the Group CEO and Group CFO on the effectiveness of the Company's risk management and internal control systems, and 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.

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 opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate as at 31 December 2015, to address the risks which the Group considers relevant and material to its operations.

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.

## INTERNAL AUDIT

The internal audit function ("Group Audit") serves to provide the Board and Management with an independent appraisal of the reliability, adequacy and effectiveness of the internal controls established by Management, to ensure that transactions are promptly and accurately recorded and that the Group's assets are safeguarded. Group Audit resides in-house and is independent of the activities it audits. Its terms of reference are approved by the Audit Committee.

Group 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 Audit involves the assessment of the adequacy and effectiveness of the Group's risk management and internal control environment, 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 Audit also focus on the Group's compliance with relevant laws and regulations, adherence to established policies and whether Management has taken appropriate measures to address control deficiencies.

The Head of Group Audit reports primarily to the Chairman of the Audit Committee and administratively to the Group CEO. His annual remuneration, appointment and removal are approved by the Audit Committee.

The Group Audit is staffed by executives with the relevant qualifications and experience, and the Audit Committee ensures that Group Audit is adequately resourced. Group Audit has unfettered access to the Board, the Audit Committee and senior management, where necessary, and has the right to seek information and explanations. Group Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

During the year, Group Audit carried out audits on selected significant business units in the Group, including an audit review of the IT systems. Group Audit's summary of major findings and recommendations and Management's related responses were discussed at the Audit Committee meetings. The Audit Committee ensures that procedures are in place to follow up on the recommendations by Group Audit in a timely manner and to closely monitor any outstanding issues. The Audit Committee also reviews annually the adequacy and effectiveness of the internal audit function.

## RISK MANAGEMENT COMMITTEE AND RISK MANAGEMENT

The Risk Management Committee is required to comprise at least three Directors, a majority of whom (including the Chairman of the Risk Management Committee) 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 experiences.

The Risk Management Committee comprises the following Directors:

- Mr Koh Beng Seng, Chairman
- Mr Law Song Keng, Member
- Mr Soon Tit Koon, Member
- Mr Tan Yam Pin, Member
- Mr Samuel N. Tsien, Member

# CORPORATE GOVERNANCE REPORT

All the members are non-executive Directors and have the relevant technical financial sophistication in risk disciplines or business experience to enable them to discharge their duties effectively.

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 risk and capital management strategy, guided by the overall corporate strategy and risk appetite as set and approved by the Board. The Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company and its principal subsidiaries.

The Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. Such terms of reference include the review and approval or endorsement of frameworks, 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, and the approval of significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees that the Risk Management Committee oversees – the Group Management Team and Group Asset-Liability Committee. Material investment-related activities and transactions are reviewed and approved by the Risk Management Committee and reported to the Board for information, endorsement or approval, as applicable.

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

The Group Chief Risk Officer is responsible for managing the Group's risk management systems and establishing processes for identifying, assessing, measuring, controlling, mitigating, monitoring and reporting of risks.

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

The Risk Management Committee held a total of six meetings in 2015.

The Group's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 36 of the Notes to the Financial Statements.

## EXECUTIVE COMMITTEE

The Executive Committee is required to comprise at least one-third of Directors who are independent Directors and at least a majority who are independent from management and business relationships.

The Executive Committee comprises the following Directors:

- Mr Koh Beng Seng, Chairman
- Dr Cheong Choong Kong, Member
- Mr Norman Ip, Member
- Mr Law Song Keng, Member

All the members are independent from management and business relationships. Mr Koh Beng Seng, Mr Norman Ip and Mr Law Song Keng are independent Directors under the CG Regulations.

The Executive Committee carries out the functions set out in its Board-approved written 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 Management. Major decisions of the Executive Committee are submitted to the Board for endorsement and approval.

The Executive Committee held a total of five meetings in 2015.

# CORPORATE GOVERNANCE REPORT

## STRATEGY WORKING GROUP

A Strategy Working Group was formed in 2015 to assist in the review of the Group's market position and competitiveness with the view to determine the Group's strategy and business direction for the next 3 to 5 years and report on the outcome of its review to the Board. The membership of the Strategy Working Group comprised non-executive Directors of GEH and its principal subsidiaries and the Group CEO. The Strategy Working Group was chaired by Mr Koh Poh Tiong, a Director from its principal subsidiary and the GEH Directors who were members of the Strategy Working Group were Mr Norman Ip and Mr Samuel N. Tsien. The other members of the Strategy Working Group were Ms Mimi Ho and Mr Quah Wee Ghee, Directors from its principal subsidiary. The Strategy Working Group completed its review in January 2016.

## COMMUNICATION WITH SHAREHOLDERS

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. All pertinent material and price-sensitive information is disclosed promptly via SGXNET and posted on the Company's website. No unpublished price-sensitive information is disclosed on a selective basis.

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.

Shareholders and the public can access the website of the Company for media releases, financial results, quarterly results presentation materials, annual reports and other corporate information on the Company. The Company has investor relations personnel who communicate with the Company's investors and attend to their queries on published information. One of the key roles of the Group's Corporate 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.

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 encouraged to raise any questions on the Company's financial statements or on the resolutions to be passed at the AGM. 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 the Company's AGM and/or EGM and to vote in their stead. 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. 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.

Since 2012, the Company has conducted electronic poll voting for all the resolutions passed at the AGM, for greater transparency in the voting process. 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.

For the Company's AGM, separate resolutions are set out on distinct issues, such as the proposed re-appointment or 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.

At the Company's AGM, the Board members, the chairpersons of all Board Committees, Management and the Company's professional advisors, 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.

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 available to shareholders upon their request.

# CORPORATE GOVERNANCE REPORT

## DEALINGS IN SECURITIES

The Company has adopted internal codes and policy on dealings in Company's securities in line with the relevant rule set out in the Listing Manual of SGX-ST. The Directors and executives of the Company and of the Group are advised, and periodically reminded, not to deal in the Company's shares for the period commencing one month before the Company's announcement of financial results for the year (and ending on the date of the announcement of the results), and for the period of two weeks before the announcement of the Company's quarterly results during the financial year ("black-out period"). The Company will notify Directors and employees of the commencement date for each black-out period. The Company also has a policy against insider trading. Directors and employees are regularly reminded not to deal in securities of the Company 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 on short-term considerations. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all personal securities transactions through OCBC Bank's stockbroking subsidiary.

## RELATED PARTY TRANSACTIONS

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 and monitoring 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 related party transactions are reported to the Audit Committee for review and to the Board for approval.

The Company also complies with the SGX-ST Listing Manual on interested person transactions.

Details of the Company's related party transactions and interested person transactions during FY2015 are respectively set out in Note 34 of the Notes to the Financial Statements and page 185 of this Annual Report.

## ETHICAL STANDARDS

The Directors and Management are committed to promoting and maintaining values which emphasise 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 which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of ethical 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.

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.

## **FINANCIAL STATEMENTS**

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# 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 2015.

## 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 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company and financial performance of the insurance operations of the Group 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  
Dr Cheong Choong Kong  
Mr Norman Ip  
Mr Law Song Keng  
Mr Lee Chien Shih  
Mr Kyle Lee Khai Fatt  
Mr Soon Tit Koon (appointed on 1 January 2016)  
Mr Tan Yam Pin  
Mr Samuel N. Tsien  
Mr Wee Joo Yeow (appointed on 1 January 2016)

## 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.

# DIRECTORS' STATEMENT

## 4. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings, none of the Directors who held office at the end of the financial year had any interest in shares in, or debentures of, the Company as at the end of the financial year and as at 21 January 2016. Mr Soon Tit Koon and Mr Wee Joo Yeow, who were appointed as Directors of the Company on 1 January 2016, did not have any interest in shares in, or debentures of, the Company as at 21 January 2016. 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 1.1.2015 or date of appointment	As at <b>31.12.2015</b>	As at 1.1.2015 or date of appointment	As at <b>31.12.2015</b>
<b>Ordinary shares in the capital of OCBC Bank</b>				
Dr Cheong Choong Kong	1,013,990	<b>1,337,466</b>	12,646 <sup>(1)</sup>	<b>13,152<sup>(1)</sup></b>
Mr Norman Ip	3,950	<b>4,109</b>	–	–
Mr Law Song Keng	109,551	<b>113,923</b>	15,249 <sup>(1)</sup>	<b>15,249<sup>(1)</sup></b>
Mr Lee Chien Shih	2,333,942	<b>2,377,933</b>	–	–
Mr Kyle Lee Khai Fatt	114,985	<b>119,575</b>	–	–
Mr Samuel N. Tsien	315,460	<b>472,303</b>	533,142 <sup>(2)</sup>	<b>669,336<sup>(2)</sup></b>
<b>4.2% non-cumulative non-convertible Class G preference shares in OCBC Bank</b>				
Dr Cheong Choong Kong	15,000	– <sup>(4)</sup>	–	–
Mr Norman Ip	2,000	– <sup>(4)</sup>	–	–
Mr Lee Chien Shih	176,000	– <sup>(4)</sup>	–	–
<b>OCBC Capital Corporation (2008) 5.1% non-cumulative non-convertible guaranteed preference shares</b>				
Dr Cheong Choong Kong	10,000	<b>10,000</b>	–	–
Mr Tan Yam Pin	–	–	2,000 <sup>(1)</sup>	<b>2,000<sup>(1)</sup></b>

Notes:

<sup>(1)</sup> Held by spouse.

<sup>(2)</sup> Comprises deemed interest in 525,550 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 7,592 ordinary shares granted under the OCBC Employee Share Purchase Plan.

<sup>(3)</sup> Comprises deemed interest in 661,959 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 7,377 ordinary shares granted under the OCBC Employee Share Purchase Plan.

<sup>(4)</sup> All of the 4.2% non-cumulative non-convertible Class G preference shares in OCBC Bank were fully redeemed and cancelled on 20 December 2015.

# DIRECTORS' STATEMENT

## 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 1.1.2015	As at 31.12.2015	As at 1.1.2015	As at 31.12.2015
Dr Cheong Choong Kong	1,802,173	<b>1,339,720</b>	–	–
Mr Samuel N. Tsien	2,545,137	<b>3,290,004</b>	–	–

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. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received, or become entitled to receive, benefits by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest, save as disclosed in this report, and except for employment remuneration/benefits received by another Director in his capacity as the Chief Executive Officer of the Company's holding company, OCBC Bank.

## 6. SHARE OPTIONS

The Company does not have any share option scheme in place.

## 7. AUDIT COMMITTEE

The Audit Committee ("AC") comprises three non-executive Directors. The AC members at the date of this statement are Mr Kyle Lee Khai Fatt (AC Chairman), Mr Law Song Keng and Mr Tan Yam Pin. The AC convened four 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 2015.

The AC has nominated Ernst & Young LLP for re-appointment as auditor at the forthcoming AGM of the Company.



# DIRECTORS' STATEMENT

## 8. AUDITOR

The auditor, Ernst & Young LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors



**Koh Beng Seng**  
Chairman



**Kyle Lee Khai Fatt**  
Director

Singapore  
15 February 2016

# INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Great Eastern Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 64 to 183, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the profit and loss statements, statements of comprehensive income and the statements of changes in equity of the Group and the Company, the consolidated statement of cash flows, the life assurance revenue statement and general insurance revenue statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

## MANAGEMENT'S RESPONSIBILITY 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company and financial performance of the insurance operations of the Group for the year ended on that date.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

## 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.

*Ernst + Young LLP*

Ernst & Young LLP  
Public Accountants and Chartered Accountants  
Singapore  
15 February 2016

# PROFIT & LOSS STATEMENTS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2015	2014	2015	2014
Gross Premiums		<b>8,757.4</b>	8,209.8	–	–
Life assurance profit from:					
Participating Fund		<b>134.5</b>	138.4	–	–
Non-participating Fund		<b>330.8</b>	422.9	–	–
Investment-linked Fund		<b>164.4</b>	206.5	–	–
Profit from life assurance		<b>629.7</b>	767.8	–	–
Profit from general insurance		<b>22.8</b>	37.3	–	–
<b>Profit from insurance business</b>		<b>652.5</b>	805.1	–	–
Dividend from subsidiaries		–	–	<b>548.7</b>	1,054.2
Investment income, net	4	<b>161.1</b>	132.5	<b>0.9</b>	–
Gain on sale of investments and changes in fair value	5	<b>95.9</b>	30.8	–	–
Gain on disposal of interest in associate and joint venture		<b>3.6</b>	31.9	–	–
Increase in provision for impairment of assets		<b>(27.0)</b>	(1.3)	–	–
Gain on exchange differences		<b>29.8</b>	10.6	–	–
<b>Profit from Shareholders' Fund's investments</b>		<b>263.4</b>	204.5	<b>549.6</b>	1,054.2
<b>Fees and other income</b>		<b>79.8</b>	72.9	<b>0.6</b>	1.1
<b>Profit before expenses</b>		<b>995.7</b>	1,082.5	<b>550.2</b>	1,055.3
less:					
Management and other expenses		<b>82.5</b>	78.3	<b>9.3</b>	11.9
Interest expense		<b>18.3</b>	18.3	–	–
Depreciation		<b>1.8</b>	1.9	<b>0.2</b>	–
<b>Expenses</b>		<b>102.6</b>	98.5	<b>9.5</b>	11.9
<b>Profit after expenses</b>		<b>893.1</b>	984.0	<b>540.7</b>	1,043.4
Share of loss after income tax of associates		<b>(7.7)</b>	(1.6)	–	–
<b>Profit before income tax</b>	8	<b>885.4</b>	982.4	<b>540.7</b>	1,043.4
Income tax		<b>(92.0)</b>	(94.4)	<b>(0.1)</b>	–
<b>Profit after income tax</b>		<b>793.4</b>	888.0	<b>540.6</b>	1,043.4
<b>Attributable to:</b>					
Shareholders		<b>785.4</b>	878.6	<b>540.6</b>	1,043.4
Non-controlling interests		<b>8.0</b>	9.4	–	–
		<b>793.4</b>	888.0	<b>540.6</b>	1,043.4
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	10	<b>\$1.66</b>	\$1.86		

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

# STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2015	2014	2015	2014
<b>Profit after income tax for the year</b>		<b>793.4</b>	888.0	<b>540.6</b>	1,043.4
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Exchange differences arising on translation of overseas entities attributable to non-controlling interests		(1.7)	-	-	-
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Exchange differences arising on translation of overseas entities		(72.5)	(14.4)	-	-
Share of other comprehensive income of associates		(2.1)	1.7	-	-
Available-for-sale financial assets:					
Changes in fair value		17.3	260.4	-	-
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	(127.8)	(33.0)	-	-
Tax on changes in fair value	9	18.8	(37.6)	-	-
<b>Other comprehensive income for the year, after tax</b>		<b>(168.0)</b>	177.1	-	-
<b>Total comprehensive income for the year</b>		<b>625.4</b>	1,065.1	<b>540.6</b>	1,043.4
<b>Total comprehensive income attributable to:</b>					
Shareholders		618.9	1,055.2	540.6	1,043.4
Non-controlling interests		6.5	9.9	-	-
		<b>625.4</b>	1,065.1	<b>540.6</b>	1,043.4

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

# BALANCE SHEET – GROUP

as at 31 December

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2015	2014	2015	2014	2015	2014
<b>Share capital</b>	11	<b>152.7</b>	152.7	<b>152.7</b>	152.7	–	–
<b>Reserves</b>							
Currency translation reserve	12	<b>(170.8)</b>	(96.4)	<b>(170.8)</b>	(96.4)	–	–
Fair value reserve	12	<b>67.0</b>	159.1	<b>67.0</b>	159.1	–	–
Accumulated profit		<b>6,181.5</b>	5,656.4	<b>6,181.5</b>	5,656.4	–	–
<b>SHAREHOLDERS' FUND</b>		<b>6,230.4</b>	5,871.8	<b>6,230.4</b>	5,871.8	–	–
<b>NON-CONTROLLING INTERESTS</b>		<b>66.6</b>	60.1	<b>66.6</b>	60.1	–	–
<b>TOTAL EQUITY</b>		<b>6,297.0</b>	5,931.9	<b>6,297.0</b>	5,931.9	–	–
<b>LIABILITIES</b>							
<b>Insurance payables</b>	14	<b>3,391.6</b>	3,440.3	<b>34.2</b>	37.6	<b>3,357.4</b>	3,402.7
<b>Other creditors and interfund balances</b>	15	<b>2,562.3</b>	2,633.1	<b>170.8</b>	109.4	<b>2,391.5</b>	2,523.7
<b>Unexpired risk reserve</b>	17	<b>126.6</b>	122.7	<b>126.6</b>	122.7	–	–
<b>Derivative financial liabilities</b>	24	<b>521.4</b>	341.4	<b>4.9</b>	5.6	<b>516.5</b>	335.8
<b>Income tax</b>		<b>497.1</b>	461.7	<b>195.6</b>	206.4	<b>301.5</b>	255.3
<b>Provision for agents' retirement benefits</b>	7	<b>250.6</b>	270.0	–	–	<b>250.6</b>	270.0
<b>Deferred tax</b>	9	<b>1,068.3</b>	1,136.2	<b>55.2</b>	77.9	<b>1,013.1</b>	1,058.3
<b>Loan payable to holding company</b>	13	–	41.2	–	–	–	41.2
<b>Debt issued</b>	16	<b>399.5</b>	399.4	<b>399.5</b>	399.4	–	–
<b>General insurance fund</b>	18	<b>228.2</b>	221.2	<b>228.2</b>	221.2	–	–
<b>Life assurance fund</b>	19	<b>50,478.1</b>	50,678.3	–	–	<b>50,478.1</b>	50,678.3
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>65,820.7</b>	65,677.4	<b>7,512.0</b>	7,112.1	<b>58,308.7</b>	58,565.3
<b>ASSETS</b>							
<b>Cash and cash equivalents</b>		<b>3,491.1</b>	3,254.3	<b>751.9</b>	569.3	<b>2,739.2</b>	2,685.0
<b>Other debtors and interfund balances</b>	20	<b>2,585.6</b>	2,314.1	<b>1,449.9</b>	1,628.1	<b>1,135.7</b>	686.0
<b>Insurance receivables</b>	21	<b>2,576.0</b>	2,676.1	<b>204.7</b>	176.7	<b>2,371.3</b>	2,499.4
<b>Loans</b>	23	<b>1,808.5</b>	1,850.8	<b>44.9</b>	24.9	<b>1,763.6</b>	1,825.9
<b>Derivative financial assets</b>	24	<b>38.1</b>	113.4	<b>1.5</b>	0.3	<b>36.6</b>	113.1
<b>Investments</b>	25	<b>53,058.3</b>	53,077.3	<b>5,007.9</b>	4,628.2	<b>48,050.4</b>	48,449.1
<b>Associates</b>	26	<b>52.8</b>	89.5	<b>7.1</b>	38.8	<b>45.7</b>	50.7
<b>Intangible assets</b>	29	<b>32.1</b>	33.3	<b>31.6</b>	33.3	<b>0.5</b>	–
<b>Investment properties</b>	30	<b>1,568.1</b>	1,632.0	–	–	<b>1,568.1</b>	1,632.0
<b>Property, plant and equipment</b>	31	<b>610.1</b>	636.6	<b>12.5</b>	12.5	<b>597.6</b>	624.1
<b>TOTAL ASSETS</b>		<b>65,820.7</b>	65,677.4	<b>7,512.0</b>	7,112.1	<b>58,308.7</b>	58,565.3

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

# BALANCE SHEET – COMPANY

as at 31 December

in Singapore Dollars (millions)	Note	Company	
		2015	2014
<b>Share capital</b>	11	<b>152.7</b>	152.7
<b>Reserves</b>			
Merger reserve	12	<b>419.2</b>	419.2
Accumulated profit		<b>2,264.2</b>	1,983.9
<b>TOTAL EQUITY</b>		<b>2,836.1</b>	2,555.8
<b>LIABILITIES</b>			
<b>Other creditors</b>	15	<b>8.7</b>	7.8
<b>Income tax</b>		<b>0.1</b>	–
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,844.9</b>	2,563.6
<b>ASSETS</b>			
<b>Cash and cash equivalents</b>		<b>317.0</b>	69.8
<b>Other debtors</b>	20	<b>0.1</b>	0.2
<b>Amounts due from subsidiaries</b>	22	<b>1,841.1</b>	1,807.2
<b>Subsidiaries</b>	27	<b>686.1</b>	686.1
<b>Property, plant and equipment</b>		<b>0.6</b>	0.3
<b>TOTAL ASSETS</b>		<b>2,844.9</b>	2,563.6

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	Attributable to shareholders of the Company				Total	Non-Controlling Interests	Total Equity
		Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit <sup>(1)</sup>			
Balance at 1 January 2015		152.7	(96.4)	159.1	5,656.4	5,871.8	60.1	5,931.9
Profit for the year		-	-	-	785.4	785.4	8.0	793.4
<b>Other comprehensive income</b>								
Exchange differences arising on translation of overseas entities		-	(72.5)	-	-	(72.5)	(1.7)	(74.2)
Share of other comprehensive income of associates		-	(1.9)	(0.2)	-	(2.1)	-	(2.1)
Available-for-sale financial assets:								
Changes in fair value		-	-	17.1	-	17.1	0.2	17.3
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	-	-	(127.8)	-	(127.8)	-	(127.8)
Tax on changes in fair value	9	-	-	18.8	-	18.8	-	18.8
Other comprehensive income for the year, after tax		-	(74.4)	(92.1)	-	(166.5)	(1.5)	(168.0)
Total comprehensive income for the year		-	(74.4)	(92.1)	785.4	618.9	6.5	625.4
<b>Distributions to shareholders</b>								
Dividends paid during the year:								
Final and special one-tier tax exempt dividends for the previous year	39	-	-	-	(213.0)	(213.0)	-	(213.0)
Interim one-tier tax exempt dividend	39	-	-	-	(47.3)	(47.3)	-	(47.3)
Total distributions to shareholders		-	-	-	(260.3)	(260.3)	-	(260.3)
Total transactions with shareholders in their capacity as shareholders		-	-	-	(260.3)	(260.3)	-	(260.3)
<b>Balance at 31 December 2015</b>		<b>152.7</b>	<b>(170.8)</b>	<b>67.0</b>	<b>6,181.5</b>	<b>6,230.4</b>	<b>66.6</b>	<b>6,297.0</b>

<sup>(1)</sup> Included in Accumulated Profit are non-distributable reserves of \$1,184.0 million (31 December 2014: \$1,176.3 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 36 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	Attributable to shareholders of the Company				Total	Non-Controlling Interests	Total Equity
		Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit <sup>(1)</sup>			
Balance at 1 January 2014		152.7	(82.9)	(31.0)	5,038.1	5,076.9	50.4	5,127.3
Profit for the year		–	–	–	878.6	878.6	9.4	888.0
<u>Other comprehensive income</u>								
Exchange differences arising on translation of overseas entities		–	(14.4)	–	–	(14.4)	–	(14.4)
Share of other comprehensive income of associates		–	0.9	0.8	–	1.7	–	1.7
Available-for-sale financial assets:								
Changes in fair value		–	–	259.9	–	259.9	0.5	260.4
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	–	–	(33.0)	–	(33.0)	–	(33.0)
Tax on changes in fair value	9	–	–	(37.6)	–	(37.6)	–	(37.6)
Other comprehensive income for the year, after tax		–	(13.5)	190.1	–	176.6	0.5	177.1
Total comprehensive income for the year		–	(13.5)	190.1	878.6	1,055.2	9.9	1,065.1
<u>Distributions to shareholders</u>								
Dividends paid during the year:								
Final and special one-tier tax exempt dividends for the previous year	39	–	–	–	(213.0)	(213.0)	–	(213.0)
Interim one-tier tax exempt dividend	39	–	–	–	(47.3)	(47.3)	–	(47.3)
Dividends paid to non-controlling interests		–	–	–	–	–	(0.2)	(0.2)
Total distributions to shareholders		–	–	–	(260.3)	(260.3)	(0.2)	(260.5)
Total transactions with shareholders in their capacity as shareholders		–	–	–	(260.3)	(260.3)	(0.2)	(260.5)
Balance at 31 December 2014		152.7	(96.4)	159.1	5,656.4	5,871.8	60.1	5,931.9

<sup>(1)</sup> Included in Accumulated Profit are non-distributable reserves of \$1,184.0 million (31 December 2014: \$1,176.3 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 36 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	Accumulated Profit	Total Equity
<b>Balance at 1 January 2015</b>		152.7	419.2	1,983.9	2,555.8
<b>Profit for the year</b>		-	-	540.6	540.6
<b>Total comprehensive income for the year</b>		-	-	540.6	540.6
<b>Distributions to shareholders</b>					
<b>Dividends paid during the year:</b>					
Final and special one-tier tax exempt dividends for the previous year	39	-	-	(213.0)	(213.0)
Interim one-tier tax exempt dividend	39	-	-	(47.3)	(47.3)
<b>Total distributions to shareholders</b>		-	-	(260.3)	(260.3)
<b>Total transactions with shareholders in their     capacity as shareholders</b>		-	-	(260.3)	(260.3)
<b>Balance at 31 December 2015</b>		152.7	419.2	2,264.2	2,836.1
Balance at 1 January 2014		152.7	419.2	1,200.8	1,772.7
Profit for the year		-	-	1,043.4	1,043.4
Total comprehensive income for the year		-	-	1,043.4	1,043.4
<b>Distributions to shareholders</b>					
<b>Dividends paid during the year:</b>					
Final and special one-tier tax exempt dividends for the previous year	39	-	-	(213.0)	(213.0)
Interim one-tier tax exempt dividend	39	-	-	(47.3)	(47.3)
<b>Total distributions to shareholders</b>		-	-	(260.3)	(260.3)
<b>Total transactions with shareholders in their capacity as     shareholders</b>		-	-	(260.3)	(260.3)
<b>Balance at 31 December 2014</b>		152.7	419.2	1,983.9	2,555.8

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	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before income tax		<b>885.4</b>	982.4
Life assurance profit before income tax		<b>1,276.1</b>	63.8
General insurance profit before income tax		<b>30.2</b>	45.8
<i>Adjustments for non-cash items:</i>			
Surplus transferred from life assurance fund but not yet withdrawn		<b>(629.7)</b>	(767.8)
Profit transferred from general insurance fund but not yet withdrawn		<b>(22.8)</b>	(37.3)
Share of loss of associates		<b>7.9</b>	3.9
Loss/(gain) on sale of investments and changes in fair value		<b>40.1</b>	(139.1)
Gain on disposal of interest in associate and joint venture		<b>(3.6)</b>	(31.9)
Increase/(decrease) in provision for impairment of assets	6	<b>176.7</b>	(37.4)
Increase in provision for agents' retirement benefits	7	<b>29.5</b>	31.2
Gain on disposal of property, plant and equipment	8	<b>–</b>	(0.8)
Depreciation	31	<b>51.0</b>	50.7
Unrealised gain on exchange differences		<b>(811.5)</b>	(483.4)
Change in life assurance contract liabilities	19	<b>2,883.5</b>	3,683.7
Change in general insurance contract liabilities	18	<b>6.8</b>	(3.5)
Change in unexpired risk reserve	17	<b>13.0</b>	2.2
Amortisation of capitalised transaction fees		<b>0.1</b>	0.1
Dividend income	4	<b>(505.1)</b>	(467.6)
Interest income	4	<b>(1,669.5)</b>	(1,645.6)
Interest expense		<b>18.7</b>	19.6
Interest expense on policy benefits	8	<b>135.7</b>	131.8
Share-based payments	8	<b>2.9</b>	3.4
		<b>1,915.4</b>	1,404.2
<i>Changes in working capital:</i>			
Insurance receivables		<b>107.9</b>	(55.4)
Other debtors and interfund balances		<b>(268.2)</b>	(346.2)
Insurance payables		<b>(48.7)</b>	352.4
Other creditors and interfund balances		<b>(73.5)</b>	273.2
Cash generated from operations		<b>1,632.9</b>	1,628.2
Income tax paid		<b>(222.1)</b>	(376.1)
Interest paid on policy benefits		<b>(135.7)</b>	(131.8)
Agents' retirement benefits paid	7	<b>(11.9)</b>	(14.1)
<b>Net cash flows from operating activities</b>		<b>1,263.2</b>	1,106.2

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	2015	2014
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturities and sale of investments		<b>20,081.8</b>	19,630.3
Purchase of investments		<b>(20,241.5)</b>	(22,666.4)
Proceeds from reduction of interests in associates		<b>5.2</b>	64.8
Proceeds from disposal of interest in joint venture		<b>–</b>	62.8
Proceeds from sale of property, plant and equipment		<b>0.4</b>	4.6
Purchase of property, plant and equipment and investment properties	30, 31	<b>(48.3)</b>	(61.7)
Acquisition of intangible assets	29	<b>(0.6)</b>	–
Interest income received		<b>1,661.0</b>	1,597.5
Interest expense paid		<b>(18.9)</b>	(19.4)
Dividends received		<b>499.9</b>	460.4
<b>Net cash flows from/(used in) investing activities</b>		<b>1,939.0</b>	(927.1)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid	39	<b>(260.3)</b>	(260.3)
(Repayment of)/proceeds from loan		<b>(41.2)</b>	41.2
<b>Net cash flows used in financing activities</b>		<b>(301.5)</b>	(219.3)
<b>Net effect of currency translation reserve adjustment</b>		<b>(2,663.9)</b>	(432.6)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>236.8</b>	(472.8)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>3,254.3</b>	3,727.1
<b>Cash and cash equivalents at the end of the year</b>		<b>3,491.1</b>	3,254.3
<b>Cash and cash equivalents comprise:</b>			
<b>Cash and bank balances</b>		<b>1,032.5</b>	787.0
<b>Cash on deposit</b>		<b>2,407.4</b>	2,420.9
<b>Short term instruments</b>		<b>51.2</b>	46.4
		<b>3,491.1</b>	3,254.3

Included in the cash and cash equivalents are bank deposits amounting to \$5.0 million (31 December 2014: \$3.5 million) which are lodged with the regulator as statutory deposits, which are not available for use by the Group.

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

# LIFE ASSURANCE REVENUE STATEMENT

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group	
		2015	2014
<b>Income</b>			
Gross premiums		8,493.5	7,947.5
less: Premiums ceded to reinsurers		547.3	139.4
Net premiums		7,946.2	7,808.1
Commissions received from reinsurers		25.1	18.8
Investment income, net	4	1,883.0	1,863.1
Rental income, net		60.6	58.6
(Loss)/gain on sale of investments and changes in fair value	5	(136.6)	107.6
Gain on exchange differences		570.8	324.0
		<b>10,349.1</b>	10,180.2
<b>less: Expenses</b>			
Gross claims, surrenders and annuities		4,963.5	5,394.7
Claims, surrenders and annuities recovered from reinsurers		(83.4)	(85.7)
Commissions and agency expenses		739.7	754.1
Increase/(decrease) in provision for impairment of assets	6	148.9	(38.6)
Management expenses		343.1	325.9
Interest expense		0.4	1.3
Agents' retirement benefits	7	29.5	31.2
Depreciation	31	47.6	47.5
Change in life assurance fund contract liabilities	19	2,883.5	3,683.7
		<b>9,072.8</b>	10,114.1
<b>Life assurance profit before share of loss of associates</b>		<b>1,276.3</b>	66.1
Share of loss after income tax of associates		(0.2)	(2.3)
<b>Life assurance profit before income tax</b>		<b>1,276.1</b>	63.8
Income tax	9	(181.0)	(200.5)
<b>Life assurance profit/(loss) after income tax</b>	19	<b>1,095.1</b>	(136.7)
<b>Retained in life assurance fund</b>		<b>465.4</b>	(904.5)
<b>Transferred to Profit and Loss Statement</b>	19	<b>629.7</b>	767.8
		<b>1,095.1</b>	(136.7)

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

# GENERAL INSURANCE REVENUE STATEMENT

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group	
		2015	2014
<b>Income</b>			
Gross premiums		<b>263.9</b>	262.3
less:			
Premiums ceded to reinsurers		<b>103.8</b>	97.3
Increase/(decrease) in unexpired risk reserve during the year	17	<b>4.7</b>	(1.5)
Net premiums		<b>155.4</b>	166.5
Commissions received from reinsurers		<b>26.8</b>	27.3
Investment income, net	4	<b>13.8</b>	12.5
Gain on sale of investments and changes in fair value	5	<b>0.6</b>	1.5
Gain on exchange differences		<b>1.0</b>	0.1
<b>Total income</b>		<b>197.6</b>	207.9
less: <b>Expenses</b>			
Gross claims and changes in loss reserve		<b>151.1</b>	124.3
Claims and changes in loss reserve ceded to reinsurers		<b>(72.6)</b>	(46.7)
Commissions and agency expenses		<b>45.3</b>	45.2
Increase/(decrease) in provision for impairment of assets		<b>0.8</b>	(0.1)
Management expenses		<b>41.2</b>	38.1
Depreciation		<b>1.6</b>	1.3
<b>Total expenses</b>		<b>167.4</b>	162.1
<b>General insurance profit before income tax</b>		<b>30.2</b>	45.8
Income tax		<b>(7.4)</b>	(8.5)
<b>Profit from general insurance transferred to Profit and Loss Statement</b>		<b>22.8</b>	37.3

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 Standard ["FRS"] and Interpretation of FRS ["INT FRS"] as required by the Companies Act, Chapter 50. The basis for preparation of the financial statements is fund accounting and the insurance fund profit that is transferred to the Group Profit and Loss Statements is determined in accordance with the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The accounting policies have been consistently applied by the Company and the Group and are consistent with those used in the previous financial year, except as disclosed 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 The Group and the Company have applied the following FRS with effect from 1 January 2015:

FRS	Title	Effective date (Annual periods beginning on or after)
FRS 19	Amendments to FRS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
Various	Improvements to FRSs (January 2014)	1 July 2014
Various	Improvements to FRSs (February 2014)	1 July 2014

The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 Changes in Accounting Policies (continued)

#### 2.2.2 FRS not yet effective

The Group and the Company have not applied the following FRS that have been issued but which are not yet effective:

FRS	Title	Effective date (Annual periods beginning on or after)
FRS 27	Amendments to FRS 27 – Equity Method in Separate Financial Statements	1 January 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 111	Amendments to FRS 111 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various	Improvements to FRSs (November 2014)	1 January 2016
FRS 1	Amendments to FRS 1 – Disclosure Initiative	1 January 2016
FRS 110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018

The Directors expect that the adoption of the standards above will not have any material impact on the financial statements in the period of initial application, except as disclosed below.

#### FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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. Balances, income and expenses between Shareholders', Life and General Insurance Funds are not eliminated as the Group prepares its financial statements on a fund accounting basis.

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.

#### 2.3.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Basis of Consolidation and Business Combinations (continued)

#### 2.3.2 Business Combinations (continued)

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 FRS.

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 2.24. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 or Revenue 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 or Revenue Statements 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 available-for-sale financial assets are included in the fair value reserve in equity.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 and Revenue Statements are 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, Life Assurance Fund or General Insurance Fund 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 or Revenue Statements 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 or Revenue Statements.

### 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 another party (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 those 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 expire. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 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 Revenue 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 Revenue Statement.

For the purpose of FRS 104, 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 Assurance Fund contract liabilities; comprising
  - Participating Fund contract liabilities;
  - Non-Participating Fund contract liabilities; and
  - Investment Linked Fund contract liabilities.
- (b) General Insurance Fund contract liabilities.
- (c) Reinsurance contracts.

#### 2.9.3 Deferred Acquisition Costs

The Group does not defer acquisition costs relating to its insurance contracts.

#### 2.9.4 Life Assurance 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 Revenue Statements of the respective insurance funds.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Insurance Contracts (continued)

#### 2.9.4 Life Assurance Contract Liabilities (continued)

Life assurance 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 respective Revenue Statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the Revenue Statements over the lives of the contracts, whereas losses are fully recognised in the Revenue 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Insurance Contracts (continued)

#### 2.9.4 Life Assurance Contract Liabilities (continued)

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.

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.

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 Revenue 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Insurance Contracts (continued)

#### 2.9.4 Life Assurance Contract Liabilities (continued)

TABLE 2.9 below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	SINGAPORE	MALAYSIA
<b>Valuation Method</b>	<p>Gross Premium Valuation</p> <p>For Participating Fund, the method that produces the higher reserves of:</p> <ul style="list-style-type: none"> <li>(i) Total assets backing policy benefits;</li> <li>(ii) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and</li> <li>(iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below.</li> </ul>	<p>Gross Premium Valuation</p> <p>For Participating Fund, the method that produces the higher reserves of:</p> <ul style="list-style-type: none"> <li>(i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and</li> <li>(ii) Guaranteed cashflows discounted using Malaysia Government Securities zero coupon spot yields (as outlined below).</li> </ul>
<b>Interest Rate</b>	<ul style="list-style-type: none"> <li>(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.</li> <li>(ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 30, the 30 year rate for cash flows beyond 30 years. Interpolation for years where rates are unavailable.</li> </ul> <p><i>Data source: MAS website and Bloomberg</i></p>	<p>Malaysia Government Securities yields determined based on the following:</p> <ul style="list-style-type: none"> <li>(i) For cashflows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration.</li> <li>(ii) For cashflows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity.</li> </ul> <p><i>Data source: Bond Pricing Agency Malaysia</i></p>
<b>Mortality, Disability, Dread disease, Expenses, Lapse and surrenders</b>	<p>Participating Fund:</p> <ul style="list-style-type: none"> <li>(i) Best estimates for Gross Premium Valuation method (ii);</li> <li>(ii) Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (iii).</li> </ul> <p>Non-Participating and Non-Unit reserves of Investment Linked Fund:</p> <p>Best estimates plus provision for adverse deviation (PAD).</p> <p><i>Data source: internal experience studies</i></p>	<p>Participating Fund:</p> <ul style="list-style-type: none"> <li>(i) Best estimates for Gross Premium Valuation method (i);</li> <li>(ii) Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii).</li> </ul> <p>Non-Participating and Non-Unit reserves of Investment Linked Fund:</p> <p>Best estimates plus provision for risk of adverse deviation (PRAD).</p> <p><i>Data source: internal experience studies</i></p>

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Insurance Contracts (continued)

#### 2.9.5 General Insurance Fund 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 general insurance contracts.

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

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 receivables. 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 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.

The provision for unearned premiums represents 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.

The valuation of general insurance contract liabilities at balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For both Singapore and Malaysia, as required by the local Insurance Regulations, the provision for adverse deviation is set at 75% level of sufficiency. For Singapore, the valuation methods used include the Paid Claim Development method, the Incurred Claim Development method, the Paid Bornhuetter-Ferguson Method and the Incurred Bornhuetter-Ferguson Method. For Malaysia, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method and the Loss Ratio Method.

#### 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 Revenue Statement. Gains or losses on reinsurance are recognised in the Revenue Statement immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 Insurance Contracts (continued)

#### 2.9.6 Reinsurance Contracts (continued)

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 Profit from Insurance Funds

Profit derived from the insurance funds is categorised as follows:

#### 2.10.1 Life Assurance – Participating Fund

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.

#### 2.10.2 Life Assurance – Non-Participating Fund

Revenue consists of premiums, investment and interest income; including fair value movements of certain assets as prescribed by the appropriate Insurance Regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue and expenses of the non-participating fund and the results of the annual actuarial valuation of the liabilities in accordance with the requirements of the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include the fair value change of asset values measured in accordance with the Insurance Regulations of the respective insurance subsidiaries.

#### 2.10.3 Life Assurance – Investment-Linked Fund

Revenue essentially consists of bid-ask spread and fees for mortality and other insured events, asset management, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities in accordance with the requirements of the Insurance Regulations, in respect of the non-unit-linked part of the fund.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.10 Profit from Insurance Funds (continued)

#### 2.10.4 General Insurance Fund

Revenue consists of premiums and investment income. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Loss reserves or reserves for claims incurred but not reported are reviewed and provisions made at each reporting date. The sum of premium, expenses and reserves is underwriting performance for the period. Investment and interest income include changes in fair value of assets valued in accordance with the requirements of the appropriate Insurance Regulations. Profit or loss from the General Insurance Fund is derived from the sum of underwriting and investment performance.

### 2.11 Recognition of Income and Expense

#### 2.11.1 Premiums and Commissions

##### Life Assurance Business

Recurring premiums from policyholders are recognised as revenue on their respective payment due dates. 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.

##### General Insurance Business

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover, in the General Insurance Revenue 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 general insurance contracts are recognised in the General Insurance Revenue 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.

#### 2.11.2 Interest Income

Interest income is recognised using the effective interest method.

#### 2.11.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Recognition of Income and Expense (continued)

#### 2.11.4 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.

#### 2.11.5 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.

#### 2.11.6 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 Revenue Statements or 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 Revenue Statements or Profit and Loss Statement. Unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Recognition of Income and Expense (continued)

#### 2.11.7 Impairment of Financial Assets

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 or Revenue Statements.

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 Revenue Statements or 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Recognition of Income and Expense (continued)

#### 2.11.7 Impairment of Financial Assets (continued)

##### (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 Revenue Statements or Profit and Loss Statement, is transferred from other comprehensive income and recognised in the Revenue Statements or Profit and Loss Statement. Reversals of impairment losses in respect of equity instruments are not recognised in the Revenue Statements or 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 Revenue Statements or 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 Revenue Statements or Profit and Loss Statement, the impairment loss is reversed in the Revenue Statements or Profit and Loss Statement.

#### 2.11.8 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Recognition of Income and Expense (continued)

#### 2.11.9 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.

##### 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 generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the Profit and Loss Statement or Revenue Statements of the respective insurance funds, with a corresponding increase in the intercompany balance with the holding company, over the vesting period.

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 or Revenue Statements 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"). There are 2 types of deferred share awards. Deferred share awards granted as part of long term incentive compensation will vest three years from the grant date and will lapse if the staff ceases employment during the vesting period. For deferred share awards 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 or Revenue Statements 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.11 Recognition of Income and Expense (continued)

#### 2.11.10 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 INT FRS 104.

#### 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 2.11.4.

#### As Lessee

Operating lease payments are recognised as an expense in the Profit and Loss Statement or Revenue Statements 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.

### 2.12 Taxes

#### 2.12.1 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.

#### 2.12.2 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Taxes (continued)

#### 2.12.2 Deferred Tax (continued)

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.

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 insurance funds 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.

#### 2.12.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 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.

### 2.14 Unexpired Risk Reserve

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 Revenue Statements 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.

### 2.15 Policy Benefits

Policy benefits are recognised when the policyholder exercises the option to deposit the survival benefits with the life assurance subsidiary companies when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiary companies. Interest payable on policy benefits is recognised in the Revenue Statements as incurred.

### 2.16 Claims Admitted or Intimated

Full provision is made for the estimated cost of all life assurance 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.

### 2.17 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 that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

### 2.18 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. 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 Revenue Statements. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.19 has been met.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Financial Assets

#### *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:

#### **2.19.1 Financial Assets at Fair Value through Revenue Statements of Insurance Funds and Profit and Loss Statement**

Financial assets at fair value through Revenue Statements of Insurance Funds and 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 FRS 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 Revenue Statements of Insurance Funds and 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 Revenue Statements of the Insurance Funds or Profit and Loss Statement.

#### **2.19.2 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 Revenue Statements of the Insurance Funds and Profit and Loss Statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

#### **2.19.3 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.19 Financial Assets (continued)

#### 2.19.3 Available-for-sale Financial Assets (continued)

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 or Insurance Funds, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the Revenue Statements of Insurance Funds or Profit and Loss Statement accordingly. The cumulative gain or loss previously recognised in equity is recognised in the Revenue Statements of Insurance Funds and 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 Revenue Statements of Insurance Funds and 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.

### 2.20 Hedge Accounting

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 or Revenue Statements. 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 or Revenue Statements.

The Group uses forward currency contracts as hedges of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.21 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 and interfund balances and insurance payables.

#### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

#### **2.21.1 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 or Revenue Statements.

#### **2.21.2 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 or Revenue Statements.

### 2.22 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.23 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.

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.

### 2.24 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 Revenue Statements or 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.24 Goodwill (continued)

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.

### 2.25 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 or Revenue Statements in the year the asset is derecognised.



# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.26 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 or Revenue Statements 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 or Revenue Statements 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 2.25 up to the date of change in use.

### 2.27 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 Life Assurance Sales Representative'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.

### 2.28 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.28 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.

### 2.29 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 35, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.30 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.

### 2.31 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.31 Contingencies (continued)

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.

### 2.32 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.

#### 2.32.1 Critical Accounting Estimates and Assumptions

##### (a) Liabilities of insurance business

The estimation of the ultimate liability arising from claims made under life and general 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, 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 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 2015 amounted to \$47,513.9 million (31 December 2014: \$46,974.2 million).

For general 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").

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.32 Critical Accounting Estimates and Judgments (continued)

#### 2.32.1 Critical Accounting Estimates and Assumptions (continued)

##### (a) Liabilities of insurance business (continued)

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 general insurance contract liabilities as at 31 December 2015 amounted to \$120.7 million (31 December 2014: \$124.3 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 32.

##### (c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the capital allowances and 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 2015 amounted to \$1,565.4 million (31 December 2014: \$1,597.9 million).

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.32 Critical Accounting Estimates and Judgments (continued)

#### 2.32.1 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 fulfillment of the stipulated conditions.

Judgment is required to estimate the provision to be made, based upon the likely fulfillment 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 2015 amounted to \$250.6 million (31 December 2014: \$270.0 million).

#### 2.32.2 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 2.24. 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 29.

##### (b) Impairment of loans and receivables

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.32 Critical Accounting Estimates and Judgments (continued)

#### 2.32.2 Critical Judgments in Applying Accounting Policies (continued)

**(c) Impairment of available-for-sale financial assets**

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.

**(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 FRS 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 3 SUBSIDIARIES AND ASSOCIATES

	Country of Incorporation	Principal Activities	Effective interest held by GEH	
			2015 %	2014 %
<b>(i) SIGNIFICANT SUBSIDIARIES</b>				
<b>Held by the Company</b>				
The Great Eastern Life Assurance Company Limited <sup>(3.1)</sup>	Singapore	Life assurance	<b>100.0</b>	100.0
The Overseas Assurance Corporation Limited <sup>(3.1)</sup>	Singapore	Composite insurance	<b>100.0</b>	100.0
Lion Global Investors Limited <sup>(3.1)</sup>	Singapore	Asset management	<b>70.0</b>	70.0
The Great Eastern Trust Private Limited <sup>(3.1)</sup>	Singapore	Investment holding	<b>100.0</b>	100.0
<b>Held through subsidiaries</b>				
Great Eastern Life Assurance (Malaysia) Berhad <sup>(3.2)</sup>	Malaysia	Life assurance	<b>100.0</b>	100.0
Overseas Assurance Corporation (Malaysia) Berhad <sup>(3.2)</sup>	Malaysia	General insurance	<b>100.0</b>	100.0
P.T. Great Eastern Life Indonesia <sup>(3.2)</sup>	Indonesia	Life assurance	<b>99.2</b>	99.2
Straits Eastern Square Private Limited <sup>(3.1)</sup>	Singapore	Property investment	<b>100.0</b>	100.0
Great Eastern Life (Vietnam) Company Limited <sup>(3.2)</sup>	Vietnam	Life assurance	<b>100.0</b>	100.0
218 Orchard Private Limited <sup>(3.1)</sup>	Singapore	Property investment	<b>100.0</b>	100.0
Great Eastern Takaful Bhd <sup>(3.2)</sup>	Malaysia	Family Takaful business	<b>70.0</b>	70.0
LGlobal Funds-Asia High Dividend Equity <sup>(3.3)</sup>	Luxembourg	Collective portfolio investment fund	<b>42.4</b>	59.9
<b>(ii) SIGNIFICANT ASSOCIATES</b>				
<b>Held through subsidiaries</b>				
Fairfield Investment Fund Ltd <sup>(3.4)</sup>	British Virgin Islands	Collective investment scheme	<b>45.8</b>	45.8
Lion Indian Real Estate Fund <sup>(3.3)</sup>	Cayman Islands	Real Estate Investment Trust	<b>45.5</b>	45.5

<sup>(3.1)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(3.2)</sup> Audited by member firms of EY Global in the respective countries.

<sup>(3.3)</sup> Audited by PricewaterhouseCoopers.

<sup>(3.4)</sup> Currently under liquidation.

# NOTES TO THE FINANCIAL STATEMENTS

## 4 INVESTMENT INCOME, NET

in Singapore Dollars (millions)	Group	
	2015	2014
<b>4.1 Profit and Loss Statement</b>		
Dividend income		
– Investments		
Available-for-sale financial assets	55.5	58.3
Financial assets at fair value through profit and loss statement	14.6	–
	<b>70.1</b>	58.3
Interest income		
– Investments		
Available-for-sale financial assets	85.2	70.4
Financial assets at fair value through profit and loss statement	7.2	1.6
– Loans and receivables	5.3	3.5
	<b>97.7</b>	75.5
	<b>167.8</b>	133.8
<i>less: Investment related expenses</i>	<b>(6.7)</b>	(1.3)
	<b>161.1</b>	132.5

During the year ended 31 December 2015, the Company had interest income for loans and receivables of \$0.9 million (31 December 2014: nil).

## 4.2 Life Assurance Revenue Statement

Dividend income		
– Investments		
Available-for-sale financial assets	369.0	348.2
Financial assets at fair value through profit and loss statement	65.5	60.6
	<b>434.5</b>	408.8
Interest income		
– Investments		
Available-for-sale financial assets	1,210.7	1,162.5
Financial assets at fair value through profit and loss statement	82.1	126.2
– Loans and receivables	265.3	269.1
	<b>1,558.1</b>	1,557.8
	<b>1,992.6</b>	1,966.6
<i>less: Investment related expenses</i>	<b>(109.6)</b>	(103.5)
	<b>1,883.0</b>	1,863.1



# NOTES TO THE FINANCIAL STATEMENTS

## 4 INVESTMENT INCOME, NET (CONTINUED)

in Singapore Dollars (millions)	Group	
	2015	2014
<b>4.3 General Insurance Revenue Statement</b>		
Dividend income		
– Investments		
Available-for-sale financial assets	0.5	0.5
	<b>0.5</b>	0.5
Interest income		
– Investments		
Available-for-sale financial assets	12.9	11.4
Financial assets at fair value through profit and loss statement	0.4	0.5
– Loans and receivables	0.4	0.4
	<b>13.7</b>	12.3
	<b>14.2</b>	12.8
less: Investment related expenses	(0.4)	(0.3)
	<b>13.8</b>	12.5

During the year ended 31 December 2015, the total dividend and interest income for financial assets that are not classified as fair value through profit and loss amounted to \$146.0 million, \$1,845.0 million and \$13.8 million for the Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement respectively (2014: \$132.2 million, \$1,779.8 million and \$12.3 million).

## 5 GAIN ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE

in Singapore Dollars (millions)	Note	Group	
		2015	2014
<b>5.1 Profit and Loss Statement</b>			
Realised gain from sale of investments		0.3	5.5
Amount transferred from Statement of Comprehensive Income on sale of investments		127.8	33.0
Changes in fair value of investments			
– fair value through profit and loss statement		(23.1)	–
– held-for-trading		(9.1)	(7.7)
		<b>(32.2)</b>	(7.7)
		<b>95.9</b>	30.8
<b>5.2 Life Assurance Revenue Statement</b>			
Realised gain from sale of investments		0.4	58.9
Amount transferred from Fair Value Reserve on sale of investments	19	531.5	223.1
Changes in fair value of investments			
– fair value through revenue statement		(56.9)	126.9
– held-for-trading		(574.0)	(296.7)
		<b>(630.9)</b>	(169.8)
Changes in fair value of investment properties	30	(37.6)	(4.6)
		<b>(136.6)</b>	107.6

# NOTES TO THE FINANCIAL STATEMENTS

## 5 GAIN ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE (CONTINUED)

in Singapore Dollars (millions)	Note	Group	
		2015	2014
<b>5.3 General Insurance Revenue Statement</b>			
Realised gain from sale of investments		<b>0.5</b>	1.1
Amount transferred from Fair Value Reserve on sale of investments	18	<b>0.9</b>	0.3
Changes in fair value of held-for-trading investments		<b>(0.8)</b>	0.1
		<b>0.6</b>	1.5

## 6 PROVISIONS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
		2015	2014	2015	2014	2015	2014		
<b>6.1 Provision for impairment of secured loans</b>									
Balance at the beginning and end of the year	23	<b>2.1</b>	2.1	<b>2.1</b>	2.1	-	-	-	-
<b>6.2 Provision for impairment of quoted equity securities</b>									
Balance at the beginning of the year		<b>34.8</b>	41.7	<b>1.7</b>	1.7	<b>33.1</b>	40.0	-	-
Increase in provision for the year		<b>147.9</b>	-	<b>12.3</b>	-	<b>135.6</b>	-	-	-
Utilised during the year		<b>(20.0)</b>	(6.9)	<b>(1.0)</b>	-	<b>(19.0)</b>	(6.9)	-	-
Currency translation reserve adjustment		<b>(2.7)</b>	-	<b>0.1</b>	-	<b>(2.8)</b>	-	-	-
Balance at the end of the year	25	<b>160.0</b>	34.8	<b>13.1</b>	1.7	<b>146.9</b>	33.1	-	-
<b>6.3 Provision for impairment of unquoted equity securities</b>									
Balance at the beginning of the year		<b>27.6</b>	28.2	-	-	<b>27.6</b>	28.2	-	-
Increase in provision for the year		<b>12.8</b>	-	<b>10.9</b>	-	<b>1.9</b>	-	-	-
Utilised during the year		<b>(1.0)</b>	(0.4)	-	-	<b>(1.0)</b>	(0.4)	-	-
Currency translation reserve adjustment		<b>(1.1)</b>	(0.2)	-	-	<b>(1.1)</b>	(0.2)	-	-
Balance at the end of the year	25	<b>38.3</b>	27.6	<b>10.9</b>	-	<b>27.4</b>	27.6	-	-
<b>6.4 Provision for impairment of quoted debt securities</b>									
Balance at the beginning of the year		-	0.2	-	-	-	0.2	-	-
Utilised during the year		-	(0.2)	-	-	-	(0.2)	-	-
Balance at the end of the year	25	-	-	-	-	-	-	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 6 PROVISIONS (CONTINUED)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
		2015	2014	2015	2014	2015	2014		
<b>6.5</b>	<b>Provision for impairment of unquoted debt securities</b>								
	Balance at the beginning of the year	4.1	49.2	4.1	3.5	-	45.7	-	-
	Increase in provision for the year	1.4	0.7	1.4	0.7	-	-	-	-
	Reversal of provision during the year	-	(46.3)	-	(0.1)	-	(46.2)	-	-
	Currency translation reserve adjustment	-	0.5	-	-	-	0.5	-	-
	Balance at the end of the year	25	5.5	4.1	5.5	4.1	-	-	-
<b>6.6</b>	<b>Provision for impairment of collective investment schemes</b>								
	Balance at the beginning of the year	38.4	30.8	1.4	0.8	37.0	30.0	-	-
	Increase in provision for the year	14.6	8.2	3.2	0.6	11.4	7.6	-	-
	Utilised during the year	(5.1)	(0.6)	(0.9)	-	(4.2)	(0.6)	-	-
	Balance at the end of the year	25	47.9	38.4	3.7	1.4	44.2	37.0	-
<b>6.7</b>	<b>Provision for impairment of unsecured loan to subsidiary companies</b>								
	Balance at the beginning and end of the year	22	-	-	-	-	-	7.0	7.0
	<b>Increase/(decrease) in provision for impairment of assets for the year</b>		176.7	(37.4)	27.8	1.2	148.9	(38.6)	-

## 7 PROVISION FOR AGENTS' RETIREMENT BENEFITS

in Singapore Dollars (millions)	Group	
	2015	2014
Balance at the beginning of the year	270.0	258.6
Currency translation reserve adjustment	(37.0)	(5.7)
Increase in provision for the year	29.5	31.2
Paid during the year	(11.9)	(14.1)
Balance at the end of the year	250.6	270.0

As at 31 December 2015, \$70.3 million (2014: \$73.2 million) of the above provision for agents' retirement benefits is payable within one year.

# NOTES TO THE FINANCIAL STATEMENTS

## 8 ADDITIONAL PROFIT & LOSS DISCLOSURES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
		2015	2014	2015	2014	2015	2014		
Fees paid to auditors		<b>2.4</b>	2.1	<b>0.8</b>	0.9	<b>1.6</b>	1.2	<b>0.4</b>	0.2
Audit fees paid to Auditor of the Company		<b>1.3</b>	1.3	<b>0.6</b>	0.4	<b>0.7</b>	0.9	<b>0.4</b>	0.2
Audit fees paid to other auditors		<b>0.5</b>	0.5	<b>0.1</b>	0.3	<b>0.4</b>	0.2	–	–
Non-audit fees paid to Auditor of the Company		<b>0.3</b>	0.2	<b>0.1</b>	0.1	<b>0.2</b>	0.1	–	–
Non-audit fees paid to other auditors		<b>0.3</b>	0.1	–	0.1	<b>0.3</b>	–	–	–
Staff costs and related expenses (including executive directors and key management personnel compensation)		<b>288.0</b>	278.5	<b>102.0</b>	101.4	<b>186.0</b>	177.1	<b>1.9</b>	1.5
Salaries, wages, bonuses and other costs		<b>257.4</b>	249.2	<b>92.4</b>	91.6	<b>165.0</b>	157.6	<b>1.8</b>	1.4
Central Provident Fund / Employee Provident Fund		<b>27.7</b>	25.9	<b>7.9</b>	7.2	<b>19.8</b>	18.7	<b>0.1</b>	0.1
Share-based payments		<b>2.9</b>	3.4	<b>1.7</b>	2.6	<b>1.2</b>	0.8	–	–
Rental expense		<b>23.6</b>	23.5	<b>8.4</b>	8.9	<b>15.2</b>	14.6	<b>0.3</b>	0.3
Fee income		<b>76.2</b>	70.9	<b>76.2</b>	70.9	–	–	–	–
Fund management fee		<b>75.4</b>	70.2	<b>75.4</b>	70.2	–	–	–	–
Financial advisory fee		<b>0.8</b>	0.7	<b>0.8</b>	0.7	–	–	–	–
(Gain)/loss on disposal of property, plant and equipment		–	(0.8)	<b>(0.1)</b>	(0.8)	<b>0.1</b>	–	<b>(0.1)</b>	–
Depreciation		<b>51.0</b>	50.7	<b>3.4</b>	3.2	<b>47.6</b>	47.5	<b>0.2</b>	–
Interest expense on policy benefits		<b>135.7</b>	131.8	–	–	<b>135.7</b>	131.8	–	–
Changes in third-party interests in consolidated investment funds		<b>(5.9)</b>	–	<b>(5.9)</b>	–	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INCOME TAX

### Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
		2015	2014	2015	2014	2015	2014		
<b>Profit and Loss or Revenue Statements:</b>									
Current income tax:									
- Current income taxation		<b>337.4</b>	280.3	<b>122.3</b>	114.3	<b>215.1</b>	166.0	-	-
- (Over)/under provision in respect of previous years		<b>(79.9)</b>	(42.3)	<b>(24.1)</b>	(11.8)	<b>(55.8)</b>	(30.5)	<b>0.1</b>	-
		<b>257.5</b>	238.0	<b>98.2</b>	102.5	<b>159.3</b>	135.5	<b>0.1</b>	-
Deferred income tax:									
- Origination and reversal of temporary differences		<b>24.8</b>	65.4	<b>3.1</b>	0.4	<b>21.7</b>	65.0	-	-
- Effect of reduction in tax rate		<b>(1.9)</b>	-	<b>(1.9)</b>	-	-	-	-	-
		<b>22.9</b>	65.4	<b>1.2</b>	0.4	<b>21.7</b>	65.0	-	-
<b>Total tax charge for the year recognised in Profit and Loss or Revenue Statements</b>		<b>280.4</b>	303.4	<b>99.4</b>	102.9	<b>181.0</b>	200.5	<b>0.1</b>	-

Deferred tax for the year, on fair value changes on available-for-sale investments, charged directly to other comprehensive income and to the Insurance Funds:

- equity		<b>18.8</b>	(37.6)	<b>18.8</b>	(37.6)	-	-	-	-
- insurance funds	18, 19	<b>35.9</b>	(28.3)	<b>(0.1)</b>	-	<b>36.0</b>	(28.3)	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INCOME TAX (CONTINUED)

### 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 2015 and 2014 is as follows:

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
	2015	2014	2015	2014	2015	2014		
Profit before income tax	893.1	984.0	893.1	984.0	-	-	540.7	1,043.4
General insurance profit before income tax	30.2	45.8	30.2	45.8	-	-	-	-
Life assurance profit before income tax	1,276.1	63.8	-	-	1,276.1	63.8	-	-
Tax at the domestic rates applicable to profits in the countries where the Group operates	336.1	213.5	184.8	205.6	151.3	7.9	91.9	177.4
<u>Adjustments:</u>								
Tax effect of net surplus transferred to Shareholders' Fund	(49.1)	(75.9)	(49.1)	(75.9)	-	-	-	-
Tax effect of provision against future policyholders' bonus	18.2	75.4	-	-	18.2	75.4	-	-
Foreign tax paid not recoverable	21.7	18.7	3.8	5.0	17.9	13.7	-	-
Permanent differences	288.0	380.7	7.5	(0.5)	280.5	381.2	1.5	2.0
Tax exempt income	(254.1)	(269.5)	(21.6)	(20.7)	(232.5)	(248.8)	(93.3)	(179.4)
Deferred tax assets not recognised	1.4	2.8	-	1.2	1.4	1.6	-	-
Effect of reduction in tax rate	(1.9)	-	(1.9)	-	-	-	-	-
Over provision in respect of previous years	(79.9)	(42.3)	(24.1)	(11.8)	(55.8)	(30.5)	-	-
<b>Income tax expense recognised in the Profit and Loss or Revenue Statements</b>	<b>280.4</b>	<b>303.4</b>	<b>99.4</b>	<b>102.9</b>	<b>181.0</b>	<b>200.5</b>	<b>0.1</b>	<b>-</b>

The corporate income tax rate applicable to Malaysian companies of the Group will be reduced from 25% to 24% for the year of assessment 2016 onwards. The change in tax rate has been applied for deferred tax, which is computed based on the latest enacted tax rate.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INCOME TAX (CONTINUED)

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2015	2014	2015	2014	2015	2014
<b>Deferred Tax</b>						
Balance at the beginning of the year	<b>1,136.2</b>	1,011.0	<b>77.9</b>	41.2	<b>1,058.3</b>	969.8
Currency translation reserve adjustment	<b>(36.1)</b>	(6.1)	<b>(5.2)</b>	(1.3)	<b>(30.9)</b>	(4.8)
Deferred tax charge taken to Profit and Loss or Revenue Statements:						
Other temporary differences	<b>16.1</b>	5.4	<b>2.1</b>	0.3	<b>14.0</b>	5.1
Fair value changes	<b>(11.4)</b>	(15.4)	<b>(0.9)</b>	0.1	<b>(10.5)</b>	(15.5)
Provision against future policyholders' bonus	<b>18.2</b>	75.4	<b>-</b>	-	<b>18.2</b>	75.4
Deferred tax on fair value changes on available-for-sale investments	<b>(54.7)</b>	65.9	<b>(18.7)</b>	37.6	<b>(36.0)</b>	28.3
Balance at the end of the year	<b>1,068.3</b>	1,136.2	<b>55.2</b>	77.9	<b>1,013.1</b>	1,058.3

### Deferred taxes at 31 December related to the following:

	Balance Sheets					
<u>Deferred tax liabilities:</u>						
Differences in depreciation for tax purposes	<b>10.8</b>	9.2	<b>0.5</b>	0.4	<b>10.3</b>	8.8
Accrued investment income	<b>1.4</b>	0.9	<b>0.7</b>	0.3	<b>0.7</b>	0.6
Net unrealised gains on investments	<b>163.4</b>	238.8	<b>15.0</b>	35.1	<b>148.4</b>	203.7
Net accretion on fixed income investments	<b>8.8</b>	14.2	<b>-</b>	-	<b>8.8</b>	14.2
Undistributed bonus to policyholders	<b>847.1</b>	840.4	<b>-</b>	-	<b>847.1</b>	840.4
Differences in insurance items	<b>42.7</b>	47.9	<b>42.7</b>	47.9	<b>-</b>	-
<b>Deferred tax liabilities</b>	<b>1,074.2</b>	1,151.4	<b>58.9</b>	83.7	<b>1,015.3</b>	1,067.7
<u>Deferred tax assets:</u>						
Net unrealised loss on investments	<b>1.7</b>	0.6	<b>0.9</b>	0.6	<b>0.8</b>	-
Unutilised tax losses carried forward	<b>1.4</b>	2.0	<b>-</b>	-	<b>1.4</b>	2.0
Net amortisation on fixed income investments	<b>1.7</b>	11.8	<b>1.7</b>	4.4	<b>-</b>	7.4
Other accruals and provisions	<b>1.1</b>	0.8	<b>1.1</b>	0.8	<b>-</b>	-
<b>Deferred tax assets</b>	<b>5.9</b>	15.2	<b>3.7</b>	5.8	<b>2.2</b>	9.4
<b>Net deferred tax liabilities</b>	<b>1,068.3</b>	1,136.2	<b>55.2</b>	77.9	<b>1,013.1</b>	1,058.3

# NOTES TO THE FINANCIAL STATEMENTS

## 9 INCOME TAX (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2015	2014	2015	2014	2015	2014
<b>Profit and Loss Statement and Revenue Statements</b>							
<u>Deferred tax liabilities:</u>							
Differences in depreciation for tax purposes		<b>1.6</b>	1.2	<b>0.1</b>	(0.1)	<b>1.5</b>	1.3
Accrued investment income		<b>0.5</b>	0.3	<b>0.4</b>	0.1	<b>0.1</b>	0.2
Net unrealised gains on investments		<b>(1.3)</b>	7.8	<b>(1.4)</b>	(0.3)	<b>0.1</b>	8.1
Net accretion on fixed income investments		<b>(5.4)</b>	2.4	–	–	<b>(5.4)</b>	2.4
Undistributed bonus to policyholders	19	<b>18.2</b>	75.4	–	–	<b>18.2</b>	75.4
<u>Deferred tax assets:</u>							
Net unrealised loss on investments		<b>(1.1)</b>	(22.6)	<b>(0.3)</b>	–	<b>(0.8)</b>	(22.6)
Unutilised tax losses carried forward		<b>0.6</b>	1.0	–	0.3	<b>0.6</b>	0.7
Net amortisation on fixed income investments		<b>10.1</b>	(1.1)	<b>2.7</b>	(0.6)	<b>7.4</b>	(0.5)
Other accruals and provisions		<b>(0.3)</b>	1.0	<b>(0.3)</b>	1.0	–	–
<b>Deferred tax expense</b>		<b>22.9</b>	65.4	<b>1.2</b>	0.4	<b>21.7</b>	65.0

### Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately \$25.1 million (2014: \$24.1 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.



# NOTES TO THE FINANCIAL STATEMENTS

## 10 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:

	<b>Group</b>	
	<b>2015</b>	2014
Profit attributable to ordinary shareholders for computation of basic and diluted earnings per share (in millions of Singapore Dollars)	<b>785.4</b>	878.6
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share (in millions)	<b>473.3</b>	473.3
Basic and diluted earnings per share (in Singapore Dollars)	<b>\$1.66</b>	\$1.86

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

## 11 SHARE CAPITAL

	<b>Group and Company</b>			
	<b>2015</b>		2014	
	<b>Number of shares</b>	<b>Amount \$'mil</b>	Number of shares	Amount \$'mil
<b>Ordinary shares: Issued and fully paid</b>				
Balance at the beginning and end of the year	<b>473,319,069</b>	<b>152.7</b>	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.

# NOTES TO THE FINANCIAL STATEMENTS

## 12 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 represents the cumulative fair value changes, net of tax, of available-for-sale investments until they are disposed of or impaired.

As at 31 December 2015, non-distributable reserves of \$1,184.0 million (2014: \$1,176.3 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 36 for more details.

## 13 LOAN PAYABLE TO HOLDING COMPANY

in Singapore Dollars (millions)	Maturity	Group	
		2015	2014
Current:			
– SGD loan at Swap Offer Rate +1.15% p.a.	2 April 2015	–	41.2
		–	41.2

## 14 INSURANCE PAYABLES

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2015	2014	2015	2014	2015	2014
Claims admitted or intimated	226.8	215.1	–	–	226.8	215.1
Policy benefits	3,082.5	3,139.2	–	–	3,082.5	3,139.2
Reinsurance liabilities	82.3	86.0	34.2	37.6	48.1	48.4
	3,391.6	3,440.3	34.2	37.6	3,357.4	3,402.7

Policy benefits bear interest at 3% per annum (2014: 3% per annum) for the Group's insurance subsidiaries in Singapore and at 5% per annum (2014: 5% per annum) for the Group's insurance subsidiaries in Malaysia.

# NOTES TO THE FINANCIAL STATEMENTS

## 15 OTHER CREDITORS AND INTERFUND BALANCES

Other creditors and interfund balances comprise the following:

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
	2015	2014	2015	2014	2015	2014		
Financial Liabilities:								
Accrued expenses and other creditors	920.8	816.4	82.5	73.5	838.3	742.9	8.7	7.8
Investment creditors	244.0	314.8	4.6	17.2	239.4	297.6	-	-
Interest payable	9.2	9.2	9.2	9.2	-	-	-	-
Amount due to holding company <sup>(1)</sup>	4.1	3.1	4.1	2.9	-	0.2	-	-
Third-party interests in consolidated investment funds <sup>(2)</sup>	65.4	-	65.4	-	-	-	-	-
Interfund balances	1,287.0	1,454.6	-	-	1,287.0	1,454.6	-	-
	<b>2,530.5</b>	<b>2,598.1</b>	<b>165.8</b>	<b>102.8</b>	<b>2,364.7</b>	<b>2,495.3</b>	<b>8.7</b>	<b>7.8</b>
Non-Financial Liabilities:								
Premiums in suspense	31.8	35.0	5.0	6.6	26.8	28.4	-	-
	<b>2,562.3</b>	<b>2,633.1</b>	<b>170.8</b>	<b>109.4</b>	<b>2,391.5</b>	<b>2,523.7</b>	<b>8.7</b>	<b>7.8</b>

<sup>(1)</sup> Amount due to holding company is non-trade related, unsecured, interest-free, repayable upon demand and is to be settled in cash.

<sup>(2)</sup> 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.

## 16 DEBT ISSUED

in Singapore Dollars (millions)	Issue Date	Maturity Date	Group	
			2015	2014
<b>Issued by The Great Eastern Life Assurance Company Limited ("GELS"):</b>				
\$400.0 million 4.6% subordinated fixed rate notes	19 Jan 2011	19 Jan 2026	399.5	399.4
			<b>399.5</b>	<b>399.4</b>

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 17 UNEXPIRED RISK RESERVE

in Singapore Dollars (millions)	Note	Group General Insurance Fund	
		2015	2014
Balance at the beginning of the year		77.6	80.0
Currency translation reserve adjustment		(6.2)	(0.9)
Increase in unexpired risk reserve during the year, gross		13.0	2.2
Movement in reinsurers' share of unexpired risk reserve during the year		(8.3)	(3.7)
Balance at the end of the year		<b>76.1</b>	77.6
Unexpired risk reserve, gross		<b>126.6</b>	122.7
Reinsurers' share of unexpired risk reserve	21	<b>(50.5)</b>	(45.1)
Unexpired risk reserve, net		<b>76.1</b>	77.6

## 18 GENERAL INSURANCE FUND

Balance at the beginning of the year		125.7	130.5
Currency translation reserve adjustment		(10.4)	(1.7)
Fair value reserve movement		(0.1)	0.4
Increase in loss reserve during the year, gross		23.8	10.5
Movement in reinsurers' share of loss reserve during the year		(17.0)	(14.0)
Balance at the end of the year		<b>122.0</b>	125.7

General Insurance Fund comprises:

General Insurance Fund Contract Liabilities, net		120.7	124.3
Reinsurers' share of loss reserve	21	106.2	95.5
General Insurance Fund Contract Liabilities, gross		<b>226.9</b>	219.8
Fair Value Reserve		1.3	1.4
		<b>228.2</b>	221.2

*Represented by:*

General Insurance Fund Contract Liabilities

Balance at the beginning of the year		124.3	129.5
Currency translation reserve adjustment		(10.4)	(1.7)
Increase in loss reserve during the year, gross		23.8	10.5
Movement in reinsurers' share of loss reserve during the year		(17.0)	(14.0)
Balance at the end of the year		<b>120.7</b>	124.3

Fair Value Reserve <sup>(1)</sup>

Balance at the beginning of the year		1.4	1.0
Fair value changes on remeasuring available-for-sale investments		0.9	0.7
Transfer of fair value reserve to General Insurance Revenue Statement on sale of investments	5	(0.9)	(0.3)
Deferred tax on fair value changes	9	(0.1)	-
Balance at the end of the year		<b>1.3</b>	1.4

<sup>(1)</sup> The above fair value reserve is deemed equity of General Insurance Fund.

# NOTES TO THE FINANCIAL STATEMENTS

## 19 LIFE ASSURANCE FUND

in Singapore Dollars (millions)	Note	Group	
		2015	2014
Balance at the beginning of the year		<b>50,678.3</b>	47,577.3
Currency translation reserve adjustment		<b>(2,779.6)</b>	(412.5)
Fair value reserve movement		<b>(769.5)</b>	734.3
Change in life assurance fund contract liabilities			
– Due to assumptions change		<b>(13.2)</b>	148.1
– Due to change in discount rate		<b>(68.8)</b>	178.8
– Due to movement during the year		<b>2,983.7</b>	3,432.2
Provision for deferred tax on future policyholders' bonus	9	<b>(18.2)</b>	(75.4)
Transferred from Life Assurance Revenue Statement		<b>1,095.1</b>	(136.7)
Transferred to Profit and Loss Statement		<b>(629.7)</b>	(767.8)
<b>Balance at the end of the year</b>		<b>50,478.1</b>	50,678.3
<i>Represented by:</i>			
<u>Life Assurance Fund Contract Liabilities</u>			
Balance at the beginning of the year		<b>46,974.2</b>	43,634.0
Currency translation reserve adjustment		<b>(2,343.8)</b>	(343.5)
Change in life assurance fund contract liabilities			
– Due to assumptions change		<b>(13.2)</b>	148.1
– Due to change in discount rate		<b>(68.8)</b>	178.8
– Due to movement during the year		<b>2,983.7</b>	3,432.2
Provision for deferred tax on future policyholders' bonus	9	<b>(18.2)</b>	(75.4)
<b>Balance at the end of the year</b>		<b>47,513.9</b>	46,974.2
Life assurance fund contract liabilities at 31 December comprised the following:			
Contracts with Discretionary Participating Features ("DPF")		<b>37,853.2</b>	37,464.8
Contracts without Discretionary Participating Features ("DPF")		<b>4,671.6</b>	4,404.3
Investment-linked contracts		<b>4,989.1</b>	5,105.1
		<b>47,513.9</b>	46,974.2
<u>Unallocated Surplus</u>			
Balance at the beginning of the year		<b>558.9</b>	1,497.1
Currency translation reserve adjustment		<b>(222.6)</b>	(33.7)
Transferred from Life Assurance Revenue Statement		<b>1,095.1</b>	(136.7)
Transferred to Profit and Loss Statement		<b>(629.7)</b>	(767.8)
<b>Balance at the end of the year</b>		<b>801.7</b>	558.9
<u>Fair Value Reserve <sup>(1)</sup></u>			
Balance at the beginning of the year		<b>3,145.2</b>	2,446.2
Currency translation reserve adjustment		<b>(213.2)</b>	(35.3)
Fair value changes on remeasuring available-for-sale investments		<b>(274.0)</b>	985.7
Transfer of fair value reserve to Life Assurance			
– Revenue Statement on sale of investments	5	<b>(531.5)</b>	(223.1)
Deferred tax on fair value changes	9	<b>36.0</b>	(28.3)
<b>Balance at the end of the year</b>		<b>2,162.5</b>	3,145.2

<sup>(1)</sup> The above fair value reserve is deemed equity of Life Assurance Fund.

# NOTES TO THE FINANCIAL STATEMENTS

## 19 LIFE ASSURANCE FUND (CONTINUED)

As at 31 December 2015, \$110.2 million (2014: \$230.6 million) of the life fund fair value reserves pertains to the Life Insurance Non-Participating Fund. This arose as a result of the life fund investments being classified as available-for-sale under FRS. As mentioned in Note 2.1, insurance fund profit that is transferred to the Profit and Loss Statement is determined in accordance with the Insurance Regulations of the respective jurisdictions. Under the Insurance Regulations, investments are carried at market value or net realisable value. As such, the Non-Participating Fund profit recognised in the Profit and Loss Statement includes the changes in the fair value of the Non-Participating Fund investments and the fair value reserves of the Non-Participating Fund that are not distributable to the shareholders.

## 20 OTHER DEBTORS AND INTERFUND BALANCES

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2015	2014	2015	2014	2015	2014
Other debtors and interfund balances comprise the following:							
Financial Assets:							
Accrued interest and dividend receivable		435.9	434.2	35.1	29.5	400.8	404.7
Investment debtors		540.2	260.8	22.8	52.6	517.4	208.2
Other receivables		49.1	50.0	5.8	6.6	43.3	43.4
Deposits collected		38.5	3.3	0.4	0.8	38.1	2.5
Interfund balances		1,287.0	1,454.6	1,287.0	1,454.6	–	–
	23	2,350.7	2,202.9	1,351.1	1,544.1	999.6	658.8
Non-Financial Assets:							
Prepayments and others		234.9	111.2	98.8	84.0	136.1	27.2
		2,585.6	2,314.1	1,449.9	1,628.1	1,135.7	686.0

As at year end, the Company had prepayments of \$0.1 million (31 December 2014: \$0.2 million).

## 21 INSURANCE RECEIVABLES

Insurance receivables comprise the following:

Financial Assets:

Due from policyholders:

Outstanding premiums		238.3	236.3	35.8	34.0	202.5	202.3
Policy loans		2,162.4	2,288.8	–	–	2,162.4	2,288.8

Due from reinsurers:

Amounts due from reinsurers		18.6	10.4	12.2	2.1	6.4	8.3
	23	2,419.3	2,535.5	48.0	36.1	2,371.3	2,499.4

Non-Financial Assets:

Due from reinsurers:

Unexpired risk reserve	17	50.5	45.1	50.5	45.1	–	–
Loss reserve	18	106.2	95.5	106.2	95.5	–	–
		2,576.0	2,676.1	204.7	176.7	2,371.3	2,499.4

# NOTES TO THE FINANCIAL STATEMENTS

## 22 AMOUNTS DUE FROM SUBSIDIARIES

in Singapore Dollars (millions)	Note	Company	
		2015	2014
Amounts due from subsidiaries		1,839.0	1,805.1
Loans to subsidiaries		9.1	9.1
Provision for impairment of unsecured loan to subsidiary	6	(7.0)	(7.0)
	23	1,841.1	1,807.2

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.

## 23 LOANS AND RECEIVABLES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
		2015	2014	2015	2014	2015	2014		
<b>Loans comprise the following:</b>									
Secured loans		1,720.5	1,852.8	31.9	27.0	1,688.6	1,825.8	-	-
Unsecured loans		90.1	0.1	15.1	-	75.0	0.1	-	-
		1,810.6	1,852.9	47.0	27.0	1,763.6	1,825.9	-	-
less: Provision for impairment of secured loans	6	2.1	2.1	2.1	2.1	-	-	-	-
		1,808.5	1,850.8	44.9	24.9	1,763.6	1,825.9	-	-
If loans were carried at fair value, the carrying amounts would be as follows:									
Loans		1,818.1	1,866.5	45.0	25.2	1,773.1	1,841.3	-	-
<b>Loans and receivables:</b>									
Cash and cash equivalents		3,491.1	3,254.3	751.9	569.3	2,739.2	2,685.0	317.0	69.8
Other debtors and interfund balances	20	2,350.7	2,202.9	1,351.1	1,544.1	999.6	658.8	-	-
Insurance receivables	21	2,419.3	2,535.5	48.0	36.1	2,371.3	2,499.4	-	-
Loans		1,808.5	1,850.8	44.9	24.9	1,763.6	1,825.9	-	-
Amounts due from subsidiaries	22	-	-	-	-	-	-	1,841.1	1,807.2
<b>Total loans and receivables at amortised cost</b>		<b>10,069.6</b>	<b>9,843.5</b>	<b>2,195.9</b>	<b>2,174.4</b>	<b>7,873.7</b>	<b>7,669.1</b>	<b>2,158.1</b>	<b>1,877.0</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 24 DERIVATIVE FINANCIAL INSTRUMENTS

	Notional Principal	Derivative Financial Assets	Derivative Financial Liabilities	Notional Principal	Derivative Financial Assets	Derivative Financial Liabilities
in Singapore Dollars (millions)	2015	2015	2015	2014	2014	2014
<b>24.1 Total</b>						
Foreign exchange:						
Forwards	6,484.1	10.5	(39.4)	6,308.5	11.8	(101.5)
Currency swaps	2,825.8	23.1	(467.4)	2,354.1	61.6	(236.4)
Interest rates:						
Swaps	1,015.6	2.9	(14.5)	631.3	39.1	(1.8)
Exchange traded futures	605.7	1.6	(0.1)	1,098.3	0.9	(1.7)
Equity:						
Options	0.5	-	-	-	-	-
	<b>10,931.7</b>	<b>38.1</b>	<b>(521.4)</b>	10,392.2	113.4	(341.4)
<b>24.2 Shareholders' and General Insurance Funds</b>						
Foreign exchange:						
Forwards	520.1	1.5	(3.6)	241.4	0.3	(4.7)
Currency swaps	6.4	-	(1.3)	17.1	-	(0.9)
	<b>526.5</b>	<b>1.5</b>	<b>(4.9)</b>	258.5	0.3	(5.6)
<b>24.3 Life Assurance Fund</b>						
Foreign exchange:						
Forwards	5,964.0	9.0	(35.8)	6,067.1	11.5	(96.8)
Currency swaps	2,819.4	23.1	(466.1)	2,337.0	61.6	(235.5)
Interest rates:						
Swaps	1,015.6	2.9	(14.5)	631.3	39.1	(1.8)
Exchange traded futures	605.7	1.6	(0.1)	1,098.3	0.9	(1.7)
Equity:						
Options	0.5	-	-	-	-	-
	<b>10,405.2</b>	<b>36.6</b>	<b>(516.5)</b>	10,133.7	113.1	(335.8)

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.



# NOTES TO THE FINANCIAL STATEMENTS

## 24 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### 24.4 Hedge of net investments in foreign operations

Included in derivative financial instruments as at 31 December 2015 were foreign exchange forward contracts designated as hedges of the net investments in the Group's subsidiaries in Malaysia. 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 year ended 31 December 2015 (31 December 2014: nil).

in Singapore Dollars (millions)	Notional	Derivative	Derivative	Notional	Derivative	Derivative
	Principal	Financial	Financial		Principal	Financial
	2015	Assets	Liabilities	2014	Assets	Liabilities
Foreign exchange:						
Forwards	328.1	1.3	(1.9)	-	-	-

## 25 INVESTMENTS

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2015	2014	2015	2014	2015	2014
<b>25.1 Available-for-sale financial assets</b>							
Equity securities							
(i) Quoted equity securities		10,481.8	10,891.0	1,226.7	1,548.0	9,255.1	9,343.0
(ii) Unquoted equity securities		776.0	918.2	53.6	28.4	722.4	889.8
		11,257.8	11,809.2	1,280.3	1,576.4	9,977.5	10,232.8
less: Provision for impairment of quoted equity securities	6	160.0	34.8	13.1	1.7	146.9	33.1
Provision for impairment of unquoted equity securities	6	38.3	27.6	10.9	-	27.4	27.6
		11,059.5	11,746.8	1,256.3	1,574.7	9,803.2	10,172.1
Debt securities							
(iii) Quoted debt securities <sup>(1)</sup>		20,753.1	19,555.5	2,250.6	1,864.9	18,502.5	17,690.6
(iv) Unquoted debt securities		11,600.3	12,110.9	651.4	515.0	10,948.9	11,595.9
		32,353.4	31,666.4	2,902.0	2,379.9	29,451.4	29,286.5
less: Provision for impairment of quoted debt securities	6	-	-	-	-	-	-
Provision for impairment of unquoted debt securities	6	5.5	4.1	5.5	4.1	-	-
		32,347.9	31,662.3	2,896.5	2,375.8	29,451.4	29,286.5
Other investments							
(v) Collective investment schemes <sup>(2)</sup>		3,624.6	3,411.2	654.0	627.7	2,970.6	2,783.5
less: Provision for impairment of collective investment schemes	6	47.9	38.4	3.7	1.4	44.2	37.0
		3,576.7	3,372.8	650.3	626.3	2,926.4	2,746.5
Total available-for-sale financial assets		46,984.1	46,781.9	4,803.1	4,576.8	42,181.0	42,205.1

# NOTES TO THE FINANCIAL STATEMENTS

## 25 INVESTMENTS (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2015	2014	2015	2014	2015	2014
<b>25.2 Securities at fair value through profit or loss</b>							
Equity securities							
(i)	Quoted equity securities	<b>2,070.3</b>	1,890.7	<b>135.0</b>	–	<b>1,935.3</b>	1,890.7
(ii)	Unquoted equity securities	<b>2.1</b>	1.1	–	–	<b>2.1</b>	1.1
		<b>2,072.4</b>	1,891.8	<b>135.0</b>	–	<b>1,937.4</b>	1,891.8
Debt securities							
(iii)	Quoted debt securities	<b>430.8</b>	460.8	<b>20.6</b>	–	<b>410.2</b>	460.8
(iv)	Unquoted debt securities	<b>402.4</b>	399.1	–	–	<b>402.4</b>	399.1
		<b>833.2</b>	859.9	<b>20.6</b>	–	<b>812.6</b>	859.9
Other investments							
(v)	Collective investment schemes <sup>(2)</sup>	<b>1,813.3</b>	1,877.9	<b>8.0</b>	–	<b>1,805.3</b>	1,877.9
	Total securities at fair value through profit or loss <sup>(3)</sup>	<b>4,718.9</b>	4,629.6	<b>163.6</b>	–	<b>4,555.3</b>	4,629.6
<b>25.3 Financial instruments held-for-trading</b>							
Equity securities							
(i)	Quoted equity securities	<b>6.5</b>	15.3	–	0.1	<b>6.5</b>	15.2
(ii)	Unquoted equity securities	–	1.8	–	–	–	1.8
		<b>6.5</b>	17.1	–	0.1	<b>6.5</b>	17.0
Debt securities							
(iii)	Quoted debt securities	<b>429.4</b>	586.3	<b>27.0</b>	37.2	<b>402.4</b>	549.1
(iv)	Unquoted debt securities	<b>919.4</b>	1,062.4	<b>14.2</b>	14.1	<b>905.2</b>	1,048.3
		<b>1,348.8</b>	1,648.7	<b>41.2</b>	51.3	<b>1,307.6</b>	1,597.4
	Total financial instruments held-for-trading	<b>1,355.3</b>	1,665.8	<b>41.2</b>	51.4	<b>1,314.1</b>	1,614.4
	<b>TOTAL INVESTMENTS</b>	<b>53,058.3</b>	53,077.3	<b>5,007.9</b>	4,628.2	<b>48,050.4</b>	48,449.1

<sup>(1)</sup> Included in quoted debt securities are quoted government securities amounting to \$6.1 million (2014: \$3.5 million) which are lodged with the regulator as statutory deposits.

<sup>(2)</sup> Collective investment schemes include but are not limited to unit trusts, hedge funds and real estate investment funds.

<sup>(3)</sup> These securities are designated as fair value through Profit and Loss Statement or Revenue Statements on initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

## 26 ASSOCIATES

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2015	2014	2015	2014	2015	2014
Investment in shares, at cost	80.5	137.1	9.3	60.7	71.2	76.4
Share of post-acquisition results	(28.4)	(49.8)	(2.2)	(23.8)	(26.2)	(26.0)
Currency translation reserve adjustment	0.7	2.2	-	1.9	0.7	0.3
	(27.7)	(47.6)	(2.2)	(21.9)	(25.5)	(25.7)
<b>Carrying amount at 31 December</b>	<b>52.8</b>	<b>89.5</b>	<b>7.1</b>	<b>38.8</b>	<b>45.7</b>	<b>50.7</b>

During the year, there was a change in the ownership structure of the Group's associate, Evergrande Life Insurance Company Limited ("Evergrande"), formerly known as Great Eastern Life Assurance (China) Company Limited. Even though the Group had maintained its shareholding during the year, however as a result of the change, it has been assessed that the Group no longer has significant influence over Evergrande. Accordingly, the Group ceased to account for Evergrande as its associate but as an available-for-sale investment instead.

For the current financial period, the Group recognised certain associates' share of operating results based on unaudited records available up to 30 November 2015 as the information as at 31 December 2015 was not available at the reporting date.

Aggregate information about the Group's investments in associates that are not individually material are as follows:

in Singapore Dollars (millions)	2015	2014
Loss after tax from continuing operations	(0.2)	(3.3)
Total comprehensive income	(0.2)	(3.3)

## 27 SUBSIDIARIES

in Singapore Dollars (millions)	Company	
	2015	2014
Investment in shares, at cost	967.9	967.9
Distribution from pre-acquisition reserve	(281.8)	(281.8)
	686.1	686.1

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 27 SUBSIDIARIES (CONTINUED)

### 27.1 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 period	Accumulated NCI at the end of the reporting period	Dividends paid to NCI
<b>31 December 2015:</b>					
Lion Global Investors Limited	Singapore	30%	10.2	51.4	–
<b>31 December 2014:</b>					
Lion Global Investors Limited	Singapore	30%	8.9	41.1	–

#### 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.

### 27.2 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-controlling interests are as follows:

#### Summarised balance sheets

in Singapore Dollars (millions)	Lion Global Investors Ltd	
	2015	2014
<b>Current</b>		
Assets	168.5	150.0
Liabilities	(32.3)	(23.8)
Net current assets	136.2	126.2
<b>Non-current</b>		
Assets	37.9	15.7
Liabilities	–	(0.5)
Net non-current assets	37.9	15.2
Net assets	174.1	141.4

#### Summarised statement of comprehensive income

in Singapore Dollars (millions)	2015	2014
Revenue	79.5	72.4
Profit before income tax	40.1	34.8
Income tax expense	(6.2)	(5.2)
Profit after tax - continuing operations	33.9	29.6
Other comprehensive income	3.2	2.4
Total comprehensive income	37.1	32.0

#### Other summarised information

Net cash flows from operations	41.5	32.4
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# NOTES TO THE FINANCIAL STATEMENTS

## 28 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.

### 28.1 Interests in unconsolidated structured entities

As part of its investment activities, the Group invests in unconsolidated structured entities. As at 31 December 2015, the Group's total interest in unconsolidated structured entities was \$6,750.1 million (2014: \$6,728.7 million) on the Group's balance sheet.

The Group does not sponsor any of the unconsolidated structured entities.

# NOTES TO THE FINANCIAL STATEMENTS

## 28 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

### 28.1 Interests in unconsolidated structured entities (continued)

A summary of the Group's interest in unconsolidated structured entities is as follows:

in Singapore Dollars (millions)	Interest in Associates		Financial Investments		Total Assets	
	2015	2014	2015	2014	2015	2014
<b>Debt securities</b>						
<i>Analysed as:</i>						
MBS	-	-	280.8	262.2	280.8	262.2
ABS	-	-	109.4	124.4	109.4	124.4
CDO	-	-	0.8	23.0	0.8	23.0
SD	-	-	918.6	1,010.6	918.6	1,010.6
<b>Collective investment schemes</b>						
<i>Analysed as:</i>						
Hedge funds	50.1	50.1	568.7	551.1	618.8	601.2
Private equity funds	8.4	7.7	731.6	667.7	740.0	675.4
Unit trusts	-	-	1,578.3	1,926.0	1,578.3	1,926.0
REITs	-	-	595.1	567.1	595.1	567.1
ETF	-	-	522.3	947.6	522.3	947.6
OEIC	-	-	1,386.0	591.2	1,386.0	591.2
<b>Total</b>	<b>58.5</b>	<b>57.8</b>	<b>6,691.6</b>	<b>6,670.9</b>	<b>6,750.1</b>	<b>6,728.7</b>

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.

### 28.2 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		Investment Management Fees	
	2015	2014	2015	2014
Collective investment schemes	2,199.2	1,495.2	25.2	12.5
Financial instruments held-for-trading - debt securities	13.0	35.0	0.3	0.1
<b>Total</b>	<b>2,212.2</b>	<b>1,530.2</b>	<b>25.5</b>	<b>12.6</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 29 INTANGIBLE ASSETS

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2015	2014	2015	2014	2015	2014
Goodwill	29.1	<b>31.5</b>	33.3	<b>31.5</b>	33.3	–	–
Club Membership	29.3	<b>0.6</b>	–	<b>0.1</b>	–	<b>0.5</b>	–
<b>Carrying amount at 31 December</b>		<b>32.1</b>	33.3	<b>31.6</b>	33.3	<b>0.5</b>	–

### 29.1 Goodwill

#### Cost:

At 1 January		<b>40.1</b>	40.4	<b>33.3</b>	33.6	<b>6.8</b>	6.8
Currency translation reserve adjustment		<b>(1.8)</b>	(0.3)	<b>(1.8)</b>	(0.3)	–	–
At 31 December		<b>38.3</b>	40.1	<b>31.5</b>	33.3	<b>6.8</b>	6.8

#### Impairment:

At 1 January and 31 December		<b>(6.8)</b>	(6.8)	–	–	<b>(6.8)</b>	(6.8)
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#### Net carrying amount:

At 1 January		<b>33.3</b>	33.6	<b>33.3</b>	33.6	–	–
Currency translation reserve adjustment		<b>(1.8)</b>	(0.3)	<b>(1.8)</b>	(0.3)	–	–
At 31 December	29	<b>31.5</b>	33.3	<b>31.5</b>	33.3	–	–

The acquisition of an additional stake of 9.6% in Lion Global Investors Limited group in 2005, 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 \$18.7 million, \$6.0 million and \$6.8 million of goodwill respectively in Shareholders' Fund, while the acquisition of an additional 51% of the ordinary shares in Straits Eastern Square Pte Ltd ("SESPL") in 2006 gave rise to an amount of \$6.8 million of goodwill in the Life Assurance Fund.

# NOTES TO THE FINANCIAL STATEMENTS

## 29 INTANGIBLE ASSETS (CONTINUED)

### 29.2 Impairment test for goodwill

In accordance with FRS 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 Overseas Assurance Corporation (Malaysia) Berhad, which is also the cash-generating unit.

#### Subsidiary - Lion Global Investors Limited

Carrying value of capitalised goodwill as at 31 December 2015	\$18.7 million
Basis on which recoverable values are determined <sup>(1)</sup>	Value in use
Terminal growth rate <sup>(2)</sup>	2%
Discount rate <sup>(3)</sup>	11%

#### Subsidiary - Straits Eastern Square Pte Ltd

Carrying value of capitalised goodwill as at 31 December 2015	nil
Basis on which recoverable values are determined <sup>(4)</sup>	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 2015	\$6.0 million
Basis on which recoverable values are determined <sup>(1)</sup>	Value in use
Terminal growth rate <sup>(2)</sup>	5%
Discount rate <sup>(3)</sup>	13%

#### Subsidiary - Pacific Mutual Fund Berhad

Carrying value of capitalised goodwill as at 31 December 2015	\$6.8 million
Basis on which recoverable values are determined <sup>(1)</sup>	Value in use
Terminal growth rate <sup>(2)</sup>	5%
Discount rate <sup>(3)</sup>	20%

<sup>(1)</sup> 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.

<sup>(2)</sup> 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 Overseas Assurance Corporation (Malaysia) Berhad operate.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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.

No impairment loss was required to be recognised for the financial year ended 31 December 2015 (2014: nil) against the amounts of goodwill recorded above as the recoverable values were in excess of the carrying values. A reasonably possible change in key assumptions will not cause the carrying values above to materially exceed the recoverable amounts.



# NOTES TO THE FINANCIAL STATEMENTS

## 29 INTANGIBLE ASSETS (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2015	2014	2015	2014	2015	2014
<b>29.3 Club Membership</b>							
<b>Cost:</b>							
At 1 January		–	–	–	–	–	–
Addition - acquired separately		0.6	–	0.1	–	0.5	–
At 31 December	29	0.6	–	0.1	–	0.5	–

## 30 INVESTMENT PROPERTIES

in Singapore Dollars (millions)	Note	Group	
		2015	2014
<b>Life Assurance Fund</b>			
<b>Balance sheet:</b>			
At 1 January		1,632.0	1,561.0
Additions (subsequent expenditure)		0.2	0.3
Net loss from fair value adjustments	5	(37.6)	(4.6)
Reclassification from property, plant and equipment	31	–	79.1
Currency translation reserve adjustment		(26.5)	(3.8)
<b>At 31 December</b>		<b>1,568.1</b>	<b>1,632.0</b>
<b>Revenue statement:</b>			
Rental income from investment properties:			
– Minimum lease payments		37.4	36.0
Direct operating expenses (including repairs and maintenance) arising from:			
– Rental generating properties		(12.8)	(13.3)
– Non-rental generating properties		(0.2)	(0.2)
		<b>(13.0)</b>	<b>(13.5)</b>

Investment properties within the Life Assurance Fund collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 PROPERTY, PLANT AND EQUIPMENT

in Singapore Dollars (millions)	Group							
	Note	Freehold Land <sup>(1)</sup>	Leasehold Land <sup>(1)</sup>	Capital Works in Progress	Buildings <sup>(1)</sup>	Computer Equipment and Software Development Costs	Other Assets <sup>(2)</sup>	Total
<b>31.1 Total</b>								
<b>Cost</b>								
At 1 January 2014		65.8	39.0	58.7	617.8	357.3	104.8	1,243.4
Additions		–	–	29.7	0.1	24.8	6.8	61.4
Disposals/assets written off		–	–	(0.1)	–	(4.9)	(0.5)	(5.5)
Reclassification		–	–	(3.7)	2.5	(0.4)	1.6	–
Reclassification to investment properties	30	–	–	(79.1)	–	–	–	(79.1)
Currency translation reserve adjustment		(0.2)	(0.1)	(0.1)	(2.9)	(3.2)	(1.0)	(7.5)
At 31 December 2014 and 1 January 2015		65.6	38.9	5.4	617.5	373.6	111.7	1,212.7
<b>Additions</b>		–	–	<b>1.9</b>	<b>1.0</b>	<b>39.6</b>	<b>5.6</b>	<b>48.1</b>
<b>Disposals/assets written off</b>		–	–	–	–	<b>(0.6)</b>	<b>(0.7)</b>	<b>(1.3)</b>
<b>Reclassification</b>		–	–	<b>(2.1)</b>	<b>(0.1)</b>	<b>0.7</b>	<b>1.5</b>	–
<b>Currency translation reserve adjustment</b>		<b>(1.2)</b>	<b>(0.9)</b>	<b>(0.5)</b>	<b>(19.9)</b>	<b>(22.4)</b>	<b>(7.9)</b>	<b>(52.8)</b>
<b>At 31 December 2015</b>		<b>64.4</b>	<b>38.0</b>	<b>4.7</b>	<b>598.5</b>	<b>390.9</b>	<b>110.2</b>	<b>1,206.7</b>
<b>Accumulated Depreciation and Impairment Loss</b>								
At 1 January 2014		(1.4)	(2.1)	–	(212.1)	(241.2)	(74.4)	(531.2)
Depreciation charge for the year		–	(0.1)	–	(13.2)	(29.6)	(7.8)	(50.7)
Disposals/assets written off		–	–	–	–	1.2	0.5	1.7
Currency translation reserve adjustment		–	–	–	0.9	2.3	0.9	4.1
At 31 December 2014 and 1 January 2015		(1.4)	(2.2)	–	(224.4)	(267.3)	(80.8)	(576.1)
<b>Depreciation charge for the year</b>		–	–	–	<b>(12.5)</b>	<b>(30.4)</b>	<b>(8.1)</b>	<b>(51.0)</b>
<b>Disposals/assets written off</b>		–	–	–	–	<b>0.4</b>	<b>0.5</b>	<b>0.9</b>
<b>Currency translation reserve adjustment</b>		–	<b>0.1</b>	–	<b>6.4</b>	<b>16.5</b>	<b>6.6</b>	<b>29.6</b>
<b>At 31 December 2015</b>		<b>(1.4)</b>	<b>(2.1)</b>	–	<b>(230.5)</b>	<b>(280.8)</b>	<b>(81.8)</b>	<b>(596.6)</b>
<b>Net Book Value</b>								
At 31 December 2014		64.2	36.7	5.4	393.1	106.3	30.9	636.6
<b>At 31 December 2015</b>		<b>63.0</b>	<b>35.9</b>	<b>4.7</b>	<b>368.0</b>	<b>110.1</b>	<b>28.4</b>	<b>610.1</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

in Singapore Dollars (millions)	Group							
	Note	Freehold Land <sup>(1)</sup>	Leasehold Land <sup>(1)</sup>	Capital Works in Progress	Buildings <sup>(1)</sup>	Computer Equipment and Software Development Costs	Other Assets <sup>(2)</sup>	Total
<b>31.2 Shareholders' and General Insurance Funds</b>								
<b>Cost</b>								
At 1 January 2014		3.8	–	0.7	0.9	14.9	7.3	27.6
Additions		–	–	–	–	2.1	0.5	2.6
Disposals/assets written off		–	–	–	–	(0.2)	(0.4)	(0.6)
Reclassification		–	–	–	–	(0.3)	0.3	–
Currency translation reserve adjustment		(0.1)	–	–	–	(0.2)	–	(0.3)
At 31 December 2014 and 1 January 2015		3.7	–	0.7	0.9	16.3	7.7	29.3
<b>Additions</b>		–	–	<b>0.2</b>	–	<b>3.1</b>	<b>1.2</b>	<b>4.5</b>
<b>Disposals/assets written off</b>		–	–	–	–	<b>(0.2)</b>	<b>(0.5)</b>	<b>(0.7)</b>
<b>Reclassification</b>		–	–	<b>(0.6)</b>	–	<b>0.6</b>	–	–
<b>Currency translation reserve adjustment</b>		<b>(0.5)</b>	–	<b>(0.1)</b>	<b>(0.1)</b>	<b>(1.0)</b>	<b>(0.4)</b>	<b>(2.1)</b>
<b>At 31 December 2015</b>		<b>3.2</b>	–	<b>0.2</b>	<b>0.8</b>	<b>18.8</b>	<b>8.0</b>	<b>31.0</b>
<b>Accumulated Depreciation and Impairment Loss</b>								
At 1 January 2014		–	–	–	–	(9.3)	(5.0)	(14.3)
Depreciation charge for the year		–	–	–	–	(2.2)	(1.0)	(3.2)
Disposals/assets written off		–	–	–	–	0.2	0.4	0.6
Currency translation reserve adjustment		–	–	–	–	–	0.1	0.1
At 31 December 2014 and 1 January 2015		–	–	–	–	(11.3)	(5.5)	(16.8)
<b>Depreciation charge for the year</b>		–	–	–	–	<b>(2.2)</b>	<b>(1.2)</b>	<b>(3.4)</b>
<b>Disposals/assets written off</b>		–	–	–	–	<b>0.2</b>	<b>0.4</b>	<b>0.6</b>
<b>Currency translation reserve adjustment</b>		–	–	–	–	<b>0.7</b>	<b>0.4</b>	<b>1.1</b>
<b>At 31 December 2015</b>		–	–	–	–	<b>(12.6)</b>	<b>(5.9)</b>	<b>(18.5)</b>
<b>Net Book Value</b>								
At 31 December 2014		3.7	–	0.7	0.9	5.0	2.2	12.5
<b>At 31 December 2015</b>		<b>3.2</b>	–	<b>0.2</b>	<b>0.8</b>	<b>6.2</b>	<b>2.1</b>	<b>12.5</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

in Singapore Dollars (millions)	Group							
	Note	Freehold Land <sup>(1)</sup>	Leasehold Land <sup>(1)</sup>	Capital Works in Progress	Buildings <sup>(1)</sup>	Computer Equipment and Software Development Costs	Other Assets <sup>(2)</sup>	Total
<b>31.3 Life Assurance Fund</b>								
<b>Cost</b>								
At 1 January 2014		62.0	39.0	58.0	616.9	342.4	97.5	1,215.8
Additions		–	–	29.7	0.1	22.7	6.3	58.8
Disposals/assets written off		–	–	(0.1)	–	(4.7)	(0.1)	(4.9)
Reclassification		–	–	(3.7)	2.5	(0.1)	1.3	–
Reclassification to investment properties	30	–	–	(79.1)	–	–	–	(79.1)
Currency translation reserve adjustment		(0.1)	(0.1)	(0.1)	(2.9)	(3.0)	(1.0)	(7.2)
At 31 December 2014 and 1 January 2015		61.9	38.9	4.7	616.6	357.3	104.0	1,183.4
<b>Additions</b>		<b>–</b>	<b>–</b>	<b>1.7</b>	<b>1.0</b>	<b>36.5</b>	<b>4.4</b>	<b>43.6</b>
<b>Disposals/assets written off</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.4)</b>	<b>(0.2)</b>	<b>(0.6)</b>
<b>Reclassification</b>		<b>–</b>	<b>–</b>	<b>(1.5)</b>	<b>(0.1)</b>	<b>0.1</b>	<b>1.5</b>	<b>–</b>
<b>Currency translation reserve adjustment</b>		<b>(0.7)</b>	<b>(0.9)</b>	<b>(0.4)</b>	<b>(19.8)</b>	<b>(21.4)</b>	<b>(7.5)</b>	<b>(50.7)</b>
<b>At 31 December 2015</b>		<b>61.2</b>	<b>38.0</b>	<b>4.5</b>	<b>597.7</b>	<b>372.1</b>	<b>102.2</b>	<b>1,175.7</b>
<b>Accumulated Depreciation and Impairment Loss</b>								
At 1 January 2014		(1.4)	(2.1)	–	(212.1)	(231.9)	(69.4)	(516.9)
Depreciation charge for the year		–	(0.1)	–	(13.2)	(27.4)	(6.8)	(47.5)
Disposals/assets written off		–	–	–	–	1.0	0.1	1.1
Currency translation reserve adjustment		–	–	–	0.9	2.3	0.8	4.0
At 31 December 2014 and 1 January 2015		(1.4)	(2.2)	–	(224.4)	(256.0)	(75.3)	(559.3)
<b>Depreciation charge for the year</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>(12.5)</b>	<b>(28.2)</b>	<b>(6.9)</b>	<b>(47.6)</b>
<b>Disposals/assets written off</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.2</b>	<b>0.1</b>	<b>0.3</b>
<b>Currency translation reserve adjustment</b>		<b>–</b>	<b>0.1</b>	<b>–</b>	<b>6.4</b>	<b>15.8</b>	<b>6.2</b>	<b>28.5</b>
<b>At 31 December 2015</b>		<b>(1.4)</b>	<b>(2.1)</b>	<b>–</b>	<b>(230.5)</b>	<b>(268.2)</b>	<b>(75.9)</b>	<b>(578.1)</b>
<b>Net Book Value</b>								
At 31 December 2014		60.5	36.7	4.7	392.2	101.3	28.7	624.1
<b>At 31 December 2015</b>		<b>59.8</b>	<b>35.9</b>	<b>4.5</b>	<b>367.2</b>	<b>103.9</b>	<b>26.3</b>	<b>597.6</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at year end, the Company held other assets with a net book value of \$0.4 million (2014: \$0.1 million), computer equipment with a net book value of \$0.1 million (2014: \$0.2 million) and capital works in progress of \$0.1 million (2014: nil). Depreciation for the year on motor vehicles was \$0.1 million (2014: nil) and on computer equipment was \$0.1 million (2014: nil).

<sup>(1)</sup> If the freehold land, leasehold land and buildings were measured using market value, the carrying amount would be as follows:

in Singapore Dollars (millions)	Group	
	2015	2014
Freehold land, Leasehold land and Buildings	772.3	754.1

<sup>(2)</sup> Other assets include motor vehicles, office furniture, fittings and equipment.

## 32 EXECUTIVES' SHARE OPTION SCHEME

### 32.1 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 traded price of the ordinary shares of OCBC Bank over five consecutive 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 or Revenue Statements of the respective insurance funds, as appropriate. 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 or Revenue Statements 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 or Revenue Statements accordingly.

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 2015, OCBC Bank granted 442,967 options (2014: 2,624,952) 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 (2014: 984,796). The fair value of share options granted during the year ended 31 December 2015, determined using the binomial valuation model, was \$0.4 million (2014: \$2.7 million). Significant inputs that were used to determine the fair value of options granted are set out below.

# NOTES TO THE FINANCIAL STATEMENTS

## 32 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

### 32.1 OCBC Share Option Scheme (continued)

	2015	2014
Acquisition price (\$)	<b>10.38</b>	9.43
Average share price from grant date to acceptance date (\$)	<b>10.55</b>	9.51
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	<b>13.10</b>	13.93
Risk-free rate based on SGS bond yield at acceptance date (%)	<b>2.01</b>	2.42
Expected dividend yield (%)	<b>3.41</b>	3.57
Exercise multiple (times)	<b>1.57</b>	1.57
Option life (years)	<b>10</b>	10

Information with respect to the number of options granted under the OCBC Option Scheme to GEH Optionholders is as follows:

	2015		2014	
	Number of Options	Average Price	Number of Options	Average Price
Number of shares comprised in options:				
At beginning of year	<b>5,589,599</b>	<b>\$9.086</b>	5,924,759	\$9.325 <sup>(1)</sup>
Granted during the year	<b>442,967</b>	<b>\$10.378</b>	2,624,952	\$9.428 <sup>(1)</sup>
Adjustments for rights issue	–	–	230,546	–
Lapsed during the year	<b>(125,345)</b>	<b>\$8.379</b>	(2,359,432)	\$9.623
Exercised during the year	<b>(354,001)</b>	<b>\$8.029</b>	(831,226)	\$8.143
Outstanding at end of year	<b>5,553,220</b>	<b>\$9.273</b>	5,589,599	\$9.086
Exercisable at end of year	<b>3,408,924</b>	<b>\$9.026</b>	2,276,987	\$8.573

Weighted average share price underlying the options exercised during the financial year	<b>\$9.981</b>	\$9.792
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<sup>(1)</sup> Weighted average subscription price was computed without adjusting for the effect of rights issue.

Details of the options outstanding as at 31 December 2015 are as follows:

Grant Year	Grant Date	Exercise Period	Acquisition Price	2015	
				Outstanding	Exercisable
2006B	23.05.2006	24.05.2007 – 22.05.2016	\$6.580	<b>57,987</b>	<b>57,987</b>
2007B	14.03.2007	15.03.2008 – 13.03.2017	\$8.590	<b>134,769</b>	<b>134,769</b>
2008	14.03.2008	15.03.2009 – 13.03.2018	\$7.520	<b>173,407</b>	<b>173,407</b>
2009	16.03.2009	17.03.2010 – 15.03.2019	\$4.138	<b>47,722</b>	<b>47,722</b>
2010	15.03.2010	16.03.2011 – 14.03.2020	\$8.762	<b>213,738</b>	<b>213,738</b>
2011	14.03.2011	15.03.2012 – 13.03.2021	\$9.350	<b>313,865</b>	<b>313,865</b>
2012	14.03.2012	15.03.2013 – 13.03.2022	\$8.798	<b>787,996</b>	<b>787,996</b>
2013	14.03.2013	15.03.2014 – 13.03.2023	\$10.302	<b>1,814,918</b>	<b>1,173,368</b>
2014	14.03.2014	15.03.2015 – 13.03.2024	\$9.428	<b>1,579,454</b>	<b>506,072</b>
2015	16.03.2015	16.03.2016 – 15.03.2025	\$10.378	<b>429,364</b>	–
				<b>5,553,220</b>	<b>3,408,924</b>

The carrying amount of the liability recognised on the Group's balance sheet related to the above equity-settled options at 31 December 2015 is \$4.1 million (31 December 2014: \$2.9 million).

As at 31 December 2015, the weighted average remaining contractual life of outstanding options was 6.9 years (2014: 7.5 years). There were no outstanding options held by directors of the Company as at 31 December 2015 (2014: nil).

# NOTES TO THE FINANCIAL STATEMENTS

## 32 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

### 32.2 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, 221,114 (2014: 98,252) OCBC ordinary shares were granted to eligible executives of GEH Group under the DSP, of which none (2014: 18,855) were granted to a director of the Company. The fair value of the shares at grant date was \$2.0 million (2014: \$0.9 million). In addition, 1,579 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 2014 (2014: 9,506 OCBC shares (of which 2,532 were granted to directors of the Company) awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2013).

### 32.3 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.

In June 2015, the tenth offering of the ESP Plan was launched, commencing on 1 July 2015 and expiring on 30 June 2017. Under the offering, OCBC Bank granted 979,744 (2014: 987,404) rights to acquire ordinary shares in the Bank. The fair value of the rights, determined using the binomial valuation model was \$0.7 million (2014: \$0.6 million). Significant inputs to the valuation model are set out below.

	2015	2014
Acquisition price (\$)	<b>10.24</b>	9.58
Closing share price at valuation date (\$)	<b>10.13</b>	9.60
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	<b>13.57</b>	11.70
Risk-free rate based on 2-year swap rate (%)	<b>0.93</b>	0.42
Expected dividend yield (%)	<b>2.84</b>	2.83

# NOTES TO THE FINANCIAL STATEMENTS

## 32 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

### 32.3 OCBC Employee Share Purchase Plan ("ESP") (continued)

A summary of the movement in the number of acquisition rights of the ESP Plan issued to GEH Group's employees is as follows:

	2015		2014	
	Number of Subscription Rights	Weighted Average Subscription Price	Number of Subscription Rights	Weighted Average Subscription Price
At 1 January	1,628,751	\$9.456	1,498,027	\$9.371 <sup>(1)</sup>
Subscriptions on commencement of plan	979,744	\$10.240	987,404	\$9.580 <sup>(1)</sup>
Adjustments for rights issue	–	–	47,087	–
Exercised	(640,389)	\$9.633	(679,128)	\$8.765
Lapsed / Forfeited	(290,112)	\$9.674	(224,639)	\$9.583
At 31 December	1,677,994	\$9.808	1,628,751	\$9.456
Average share price underlying acquisition rights exercised during the year		\$10.258		\$9.629

<sup>(1)</sup> Weighted average subscription price was computed without adjusting for the effect of rights issue.

As at 31 December 2015, the weighted average remaining contractual life of outstanding acquisition rights was 1.0 years (2014: 1.1 years). No director of GEH Group has acquisition rights under the ESP Plan (2014: nil).

## 33 COMMITMENTS AND CONTINGENT LIABILITIES

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2015	2014	2015	2014	2015	2014
<b>33.1 Capital commitments</b>	Commitments for capital expenditure not provided for in the financial statements:					
– investment properties	170.9	28.5	–	–	170.9	28.5
– property, plant and equipment	49.0	40.4	2.2	1.6	46.8	38.8
	219.9	68.9	2.2	1.6	217.7	67.3



# NOTES TO THE FINANCIAL STATEMENTS

## 33 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

### 33.2 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					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2015	2014	2015	2014	2015	2014
Within one year	<b>35.8</b>	34.9	–	–	<b>35.8</b>	34.9
After one year but not more than five years	<b>110.6</b>	61.8	–	–	<b>110.6</b>	61.8
	<b>146.4</b>	96.7	–	–	<b>146.4</b>	96.7

The Group has entered into operating lease agreements for computer equipment. 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 and Revenue Statements during the period amounted to \$0.5 million (2014: \$0.4 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	<b>3.9</b>	2.5	<b>2.6</b>	0.9	<b>1.3</b>	1.6
After one year but not more than five years	<b>6.2</b>	2.6	<b>5.3</b>	1.0	<b>0.9</b>	1.6
	<b>10.1</b>	5.1	<b>7.9</b>	1.9	<b>2.2</b>	3.2

# NOTES TO THE FINANCIAL STATEMENTS

## 34 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.

### 34.1 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:

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
	2015	2014	2015	2014	2015	2014		
Management and performance fees paid by insurance funds to subsidiaries	<b>56.0</b>	51.9	<b>9.1</b>	8.3	<b>46.9</b>	43.6	-	-
Fees and commission and other income received from:								
– holding company	<b>6.6</b>	6.3	<b>6.6</b>	6.3	-	-	-	-
– related parties of the holding company	<b>9.1</b>	2.2	<b>2.1</b>	1.8	<b>7.0</b>	0.4	-	-
Premiums received from key management personnel	<b>0.9</b>	0.9	<b>0.1</b>	0.1	<b>0.8</b>	0.8	-	-
Fees and commission expense paid to:								
– holding company	<b>104.3</b>	99.0	<b>8.8</b>	4.4	<b>95.5</b>	94.6	-	-
– related parties of the holding company	<b>38.1</b>	33.6	<b>9.6</b>	4.7	<b>28.5</b>	28.9	-	-
Interest income received from:								
– holding company	<b>0.7</b>	0.4	<b>0.3</b>	0.1	<b>0.4</b>	0.3	<b>0.3</b>	-
– related parties of the holding company	<b>31.3</b>	40.7	<b>1.1</b>	1.3	<b>30.2</b>	39.4	-	-
Loan from holding company	-	41.2	-	-	-	41.2	-	-
Interest expense paid to holding company	<b>0.7</b>	1.3	-	-	<b>0.7</b>	1.3	-	-
Rental income received from:								
– holding company	<b>0.1</b>	-	-	-	<b>0.1</b>	-	-	-
– related parties of the holding company	<b>0.3</b>	0.3	-	-	<b>0.3</b>	0.3	-	-
Other expenses paid to:								
– holding company	<b>5.1</b>	5.0	<b>2.4</b>	2.4	<b>2.7</b>	2.6	-	-
– related parties of the holding company	<b>16.9</b>	9.9	<b>3.3</b>	3.5	<b>13.6</b>	6.4	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 34 RELATED PARTY TRANSACTIONS (CONTINUED)

### 34.2 Balance sheet balances with related parties

Balance sheet balances with related parties as at 31 December are as follows:

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2015	2014
	2015	2014	2015	2014	2015	2014		
Cash and cash equivalents held with:								
– holding company	<b>475.5</b>	313.5	<b>252.6</b>	90.6	<b>222.9</b>	222.9	<b>217.1</b>	62.6
– related parties of the holding company	<b>357.5</b>	627.0	<b>19.3</b>	35.7	<b>338.2</b>	591.3	–	–
Amount due to holding company	<b>4.1</b>	3.1	<b>4.1</b>	2.9	–	0.2	–	–
Loan payable to holding company	–	41.2	–	–	–	41.2	–	–
Investments in debt securities of:								
– related parties of the holding company	<b>378.5</b>	563.5	<b>7.7</b>	8.6	<b>370.8</b>	554.9	–	–
Derivative financial assets held with:								
– holding company	<b>26.4</b>	71.3	–	0.3	<b>26.4</b>	71.0	–	–
Derivative financial liabilities held with:								
– holding company	<b>206.3</b>	146.5	<b>0.9</b>	2.2	<b>205.4</b>	144.3	–	–
– related parties of the holding company	<b>33.0</b>	15.3	–	–	<b>33.0</b>	15.3	–	–

Outstanding balances at balance sheet date, other than loan payable to holding company, 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 (2014: Nil).

### 34.3 Compensation of key management personnel

Short-term employee benefits	<b>19.2</b>	18.1	<b>7.9</b>	6.5	<b>11.3</b>	11.6	<b>2.9</b>	2.7
Other long-term benefits	<b>0.3</b>	1.7	<b>0.3</b>	0.5	–	1.2	–	–
Central Provident Fund/Employee Provident Fund	<b>1.1</b>	0.7	<b>0.3</b>	0.2	<b>0.8</b>	0.5	–	–
Share-based payments	<b>2.2</b>	2.0	<b>0.5</b>	0.5	<b>1.7</b>	1.5	–	–
	<b>22.8</b>	22.5	<b>9.0</b>	7.7	<b>13.8</b>	14.8	<b>2.9</b>	2.7
Comprise amounts paid to:								
Directors of the Company	<b>3.6</b>	6.9	<b>3.0</b>	3.2	<b>0.6</b>	3.7	<b>2.9</b>	2.7
Other key management personnel	<b>19.2</b>	15.6	<b>6.0</b>	4.5	<b>13.2</b>	11.1	–	–
	<b>22.8</b>	22.5	<b>9.0</b>	7.7	<b>13.8</b>	14.8	<b>2.9</b>	2.7

# NOTES TO THE FINANCIAL STATEMENTS

## 35 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 Assurance, General 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 Assurance Segment

The Life Assurance segment provides different types of products, comprising life insurance, long-term health and accident insurance, annuity business written and includes the unit-linked business. The Life Assurance segment is further organised into three reportable segments based on the type of product provided – the Participating Business, Non-participating Business and Linked Business segments. All revenues in the Life Assurance segment are from external customers.

Under the Participating Business segment, the insurance contracts issued by subsidiaries within the Group contain a discretionary participating feature. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contract entitles the policyholder to receive benefits, commonly referred to as a policyholder bonus, which is derived from the investment performance of the pool of assets and operating experience of all the participating policies managed by each insurance subsidiary within the Group.

Under the Non-participating Business segment, the insurance contracts issued by insurance subsidiaries within the Group transfer both insurance and investment risks from policyholders to the insurance subsidiaries within the Group. 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.

Under the Linked Business segment, the insurance subsidiaries within the Group issue contracts which transfer insurance risk alone from policyholders to the insurance subsidiaries within the Group. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

#### b. General Insurance Segment

Under the General 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 general insurance contracts.

#### c. Shareholders Segment

The Shareholders segment comprises two reportable segments, the Fund Management and Financial Advisory Business, and Other Shareholders segments.

The Fund Management and Financial Advisory Business 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 Other Shareholders segment comprises activities not related to the core business segments, and includes general corporate income and expense items.

# NOTES TO THE FINANCIAL STATEMENTS

## 35 SEGMENTAL INFORMATION (CONTINUED)

### 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.

### (1) By Business Segments

in Singapore Dollars (millions)	Group						Group		
	Fund Management and Financial Advisory Business		Others		Adjustments and Eliminations		Note	Consolidated	
	2015	2014	2015	2014	2015	2014		2015	2014
<b>(a) Shareholders' Fund</b>									
Investment income, net	12.2	2.0	140.0	122.4	8.9	8.1	(1)	161.1	132.5
(Loss)/gain on sale of investments and changes in fair value	(6.9)	–	102.8	30.8	–	–		95.9	30.8
Gain on disposal of interest in a joint venture	–	–	3.6	31.9	–	–		3.6	31.9
Increase in provision for impairment of assets	–	–	(27.0)	(1.3)	–	–		(27.0)	(1.3)
(Loss)/gain on exchange differences	(15.8)	0.2	45.6	10.4	–	–		29.8	10.6
<b>(Loss)/profit from Shareholders' Fund's investment</b>	<b>(10.5)</b>	<b>2.2</b>	<b>265.0</b>	<b>194.2</b>	<b>8.9</b>	<b>8.1</b>		<b>263.4</b>	<b>204.5</b>
Fees and other income	85.2	79.0	3.5	2.0	(8.9)	(8.1)	(1)	79.8	72.9
<b>Profit before expenses</b>	<b>74.7</b>	<b>81.2</b>	<b>268.5</b>	<b>196.2</b>	<b>–</b>	<b>–</b>		<b>343.2</b>	<b>277.4</b>
Management and other expenses	42.3	44.2	40.2	34.1	–	–		82.5	78.3
Interest expense	–	–	18.3	18.3	–	–		18.3	18.3
Depreciation	1.1	1.2	0.7	0.7	–	–		1.8	1.9
<b>Total expenses</b>	<b>43.4</b>	<b>45.4</b>	<b>59.2</b>	<b>53.1</b>	<b>–</b>	<b>–</b>		<b>102.6</b>	<b>98.5</b>
<b>Profit after expenses</b>	<b>31.3</b>	<b>35.8</b>	<b>209.3</b>	<b>143.1</b>	<b>–</b>	<b>–</b>		<b>240.6</b>	<b>178.9</b>
Share of loss after income tax of associates	–	–	(7.7)	(1.6)	–	–		(7.7)	(1.6)
<b>Segment profit before income tax</b>	<b>31.3</b>	<b>35.8</b>	<b>201.6</b>	<b>141.5</b>	<b>–</b>	<b>–</b>		<b>232.9</b>	<b>177.3</b>
Income tax	(6.3)	(5.3)	(85.7)	(89.1)	–	–		(92.0)	(94.4)
<b>Segment profit after income tax</b>	<b>25.0</b>	<b>30.5</b>	<b>115.9</b>	<b>52.4</b>	<b>–</b>	<b>–</b>		<b>140.9</b>	<b>82.9</b>
<u>Reconciliation to consolidated Profit &amp; Loss Statement:</u>									
Profit from insurance business								652.5	805.1
<b>Profit per Profit &amp; Loss Statement</b>								<b>793.4</b>	<b>888.0</b>

(1) Inter-segment dividend and management fee income are eliminated on consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

## 35 SEGMENTAL INFORMATION (CONTINUED)

### (1) By Business Segments (continued)

in Singapore Dollars (millions)	Group						Group		
	Fund Management and Financial Advisory Business		Others		Adjustments and Eliminations		Note	Consolidated	
	2015	2014	2015	2014	2015	2014		2015	2014
<b>(a) Shareholders' Fund (continued)</b>									
<b><u>Other material items:</u></b>									
Interest income	6.9	0.5	90.8	75.0	-	-		97.7	75.5
Staff costs and related expenses (including executive directors and key management personnel compensation)	38.7	36.8	37.0	39.9	-	-		75.7	76.7
Rental expense	2.3	2.4	3.7	3.9	-	-		6.0	6.3
Interest expense	-	-	18.3	18.3	-	-		18.3	18.3
<b><u>Non-cash items:</u></b>									
Depreciation	1.1	1.2	0.7	0.7	-	-		1.8	1.9
Impairment of assets	-	-	27.0	1.3	-	-		27.0	1.3
Changes in fair value of investments:									
– through Profit & Loss Statement	8.3	-	(40.5)	(7.7)	-	-		(32.2)	(7.7)
– through equity	4.1	1.7	13.2	258.7	-	-		17.3	260.4
<b>in Singapore Dollars (millions)</b>									
	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14		31 Dec 15	31 Dec 14
<b><u>Assets and liabilities:</u></b>									
Segment assets	278.0	174.0	6,785.4	6,462.7	15.7	14.3		7,079.1	6,651.0
Investments in associates	-	-	7.1	38.8	-	-		7.1	38.8
<b>Total assets</b>	<b>278.0</b>	<b>174.0</b>	<b>6,792.5</b>	<b>6,501.5</b>	<b>15.7</b>	<b>14.3</b>		<b>7,086.2</b>	<b>6,689.8</b>
Segment liabilities	131.4	21.3	411.6	458.1	-	-		543.0	479.4
Income tax and deferred tax liabilities	7.4	6.3	238.8	272.2	-	-		246.2	278.5
<b>Total liabilities</b>	<b>138.8</b>	<b>27.6</b>	<b>650.4</b>	<b>730.3</b>	<b>-</b>	<b>-</b>		<b>789.2</b>	<b>757.9</b>
<b><u>Other segment information:</u></b>									
Additions to non-current assets									
– property, plant and equipment	0.4	0.4	1.3	0.2	-	-		1.7	0.6

# NOTES TO THE FINANCIAL STATEMENTS

## 35 SEGMENTAL INFORMATION (CONTINUED)

### (1) By Business Segments (continued)

#### (b) General Insurance Fund

The segment profit/(loss) information for general insurance fund has not been presented below as it is considered a single business segment and disclosure of the information can be found in the General Insurance Revenue Statement. All revenues in the General Insurance Fund are from external customers. Material non-cash items consist of depreciation and impairment of assets, which can be found in the General Insurance Revenue Statement.

	<b>Group</b>	
	<b>General Insurance Fund</b>	
	<b>2015</b>	<b>2014</b>
<b>in Singapore Dollars (millions)</b>		
<b>Other material items:</b>		
Interest income	<b>13.7</b>	12.3
Staff costs and related expenses (including executive directors and key management personnel compensation)	<b>26.3</b>	24.7
Rental expense	<b>2.4</b>	2.6
<b>in Singapore Dollars (millions)</b>	<b>31 Dec 15</b>	<b>31 Dec 14</b>
<b>Assets and liabilities:</b>		
<b>Total assets</b>	<b>425.8</b>	422.3
Segment liabilities	<b>421.2</b>	416.5
Income tax and deferred tax liabilities	<b>4.6</b>	5.8
<b>Total liabilities</b>	<b>425.8</b>	422.3
<b>Other segment information:</b>		
Additions to non-current assets		
– property, plant and equipment	<b>2.8</b>	2.0

# NOTES TO THE FINANCIAL STATEMENTS

## 35 SEGMENTAL INFORMATION (CONTINUED)

### (1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>(c) Life Assurance Fund</b>										
Premiums less reassurances	5,151.8	5,197.7	1,404.9	1,266.7	1,389.5	1,343.7	-	-	7,946.2	7,808.1
Commissions received from reinsurers	12.1	7.3	10.8	7.0	2.2	4.5	-	-	25.1	18.8
Investment income, net	1,581.8	1,568.2	195.8	198.8	105.4	96.1	-	-	1,883.0	1,863.1
Rental income, net	56.5	54.3	4.5	4.7	-	-	(0.4)	(0.4)	60.6	58.6
(Loss)/gain on sale of investments and changes in fair value	(108.3)	1.3	27.5	(21.2)	(55.8)	127.5	-	-	(136.6)	107.6
Gain/(loss) on exchange differences	465.4	257.1	103.5	67.7	1.9	(0.8)	-	-	570.8	324.0
<b>Segment revenue</b>	<b>7,159.3</b>	<b>7,085.9</b>	<b>1,747.0</b>	<b>1,523.7</b>	<b>1,443.2</b>	<b>1,571.0</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>10,349.1</b>	<b>10,180.2</b>
Gross claims, surrenders and annuities	3,482.2	3,945.7	712.7	740.6	768.6	708.4	-	-	4,963.5	5,394.7
Claims, surrenders and annuities recovered from reinsurers	(15.5)	(15.5)	(54.7)	(53.1)	(13.2)	(17.1)	-	-	(83.4)	(85.7)
Commissions and agency expenses	338.4	341.3	152.8	174.3	248.5	238.5	-	-	739.7	754.1
Increase/(decrease) in provision for impairment of assets	143.8	(28.7)	5.1	(9.9)	-	-	-	-	148.9	(38.6)
Management expenses	155.1	152.7	80.6	85.9	107.8	87.7	(0.4)	(0.4)	343.1	325.9
Interest expense	0.4	1.2	-	0.1	-	-	-	-	0.4	1.3
Agents' retirement benefits	19.1	20.6	1.7	1.6	8.7	9.0	-	-	29.5	31.2
Depreciation	37.4	38.8	7.0	6.5	3.2	2.2	-	-	47.6	47.5
Change in life assurance fund contract liabilities	2,376.8	2,979.5	366.1	354.8	140.6	349.4	-	-	2,883.5	3,683.7
<b>Segment expense</b>	<b>6,537.7</b>	<b>7,435.6</b>	<b>1,271.3</b>	<b>1,300.8</b>	<b>1,264.2</b>	<b>1,378.1</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>9,072.8</b>	<b>10,114.1</b>
Segment profit/(loss) before share of loss of associates	621.6	(349.7)	475.7	222.9	179.0	192.9	-	-	1,276.3	66.1
Share of loss after income tax of associates	(0.2)	(2.0)	-	(0.3)	-	-	-	-	(0.2)	(2.3)
Segment profit/(loss) before income tax	621.4	(351.7)	475.7	222.6	179.0	192.9	-	-	1,276.1	63.8
Income tax	(136.5)	(195.4)	(34.1)	(18.7)	(10.4)	13.6	-	-	(181.0)	(200.5)
<b>Segment profit/(loss) after income tax</b>	<b>484.9</b>	<b>(547.1)</b>	<b>441.6</b>	<b>203.9</b>	<b>168.6</b>	<b>206.5</b>	<b>-</b>	<b>-</b>	<b>1,095.1</b>	<b>(136.7)</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 35 SEGMENTAL INFORMATION (CONTINUED)

### (1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>(c) Life Assurance Fund</b> (continued)										
Retained in life assurance fund	<b>350.4</b>	(685.5)	<b>110.8</b>	(219.0)	<b>4.2</b>	–	–	–	<b>465.4</b>	(904.5)
Transferred to Profit and Loss Statement	<b>134.5</b>	138.4	<b>330.8</b>	422.9	<b>164.4</b>	206.5	–	–	<b>629.7</b>	767.8
	<b>484.9</b>	(547.1)	<b>441.6</b>	203.9	<b>168.6</b>	206.5	–	–	<b>1,095.1</b>	(136.7)
<b>Other material items:</b>										
Interest income	<b>1,272.9</b>	1,277.7	<b>197.2</b>	196.3	<b>88.0</b>	83.8	–	–	<b>1,558.1</b>	1,557.8
Staff costs and related expenses (including executive directors and key management personnel compensation)	<b>102.5</b>	98.5	<b>40.9</b>	40.4	<b>42.6</b>	38.2	–	–	<b>186.0</b>	177.1
Rental expense	<b>8.6</b>	8.5	<b>3.8</b>	3.5	<b>3.2</b>	3.0	<b>(0.4)</b>	(0.4)	<b>15.2</b>	14.6
Interest expense on policy benefits	<b>135.6</b>	131.6	<b>0.1</b>	0.2	–	–	–	–	<b>135.7</b>	131.8
<b>Non-cash items:</b>										
Depreciation	<b>37.4</b>	38.8	<b>7.0</b>	6.5	<b>3.2</b>	2.2	–	–	<b>47.6</b>	47.5
Impairment of assets	<b>143.8</b>	(28.7)	<b>5.1</b>	(9.9)	–	–	–	–	<b>148.9</b>	(38.6)
Changes in fair value of investments:										
– through Profit & Loss Statement	<b>(518.3)</b>	(271.6)	<b>(56.8)</b>	(25.6)	<b>(55.8)</b>	127.4	–	–	<b>(630.9)</b>	(169.8)
– through life assurance fund	<b>(215.6)</b>	709.9	<b>(58.4)</b>	275.8	–	–	–	–	<b>(274.0)</b>	985.7

# NOTES TO THE FINANCIAL STATEMENTS

## 35 SEGMENTAL INFORMATION (CONTINUED)

### (1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14	31 Dec 15	31 Dec 14
<b>(c) Life Assurance Fund (continued)</b>										
<b>Assets and liabilities:</b>										
Segment assets	<b>46,738.7</b>	46,964.7	<b>6,109.1</b>	5,882.1	<b>5,415.2</b>	5,667.8	-	-	<b>58,263.0</b>	58,514.6
Investments in associates	<b>45.2</b>	49.2	<b>0.5</b>	1.5	-	-	-	-	<b>45.7</b>	50.7
<b>Total assets</b>	<b>46,783.9</b>	47,013.9	<b>6,109.6</b>	5,883.6	<b>5,415.2</b>	5,667.8	-	-	<b>58,308.7</b>	58,565.3
Segment liabilities	<b>45,605.0</b>	45,867.6	<b>5,986.9</b>	5,749.4	<b>5,402.2</b>	5,634.7	-	-	<b>56,994.1</b>	57,251.7
Income tax and deferred tax liabilities	<b>1,178.9</b>	1,146.3	<b>122.7</b>	134.2	<b>13.0</b>	33.1	-	-	<b>1,314.6</b>	1,313.6
<b>Total liabilities</b>	<b>46,783.9</b>	47,013.9	<b>6,109.6</b>	5,883.6	<b>5,415.2</b>	5,667.8	-	-	<b>58,308.7</b>	58,565.3
<b>Other segment information:</b>										
Additions to non-current assets										
– property, plant and equipment	<b>39.9</b>	54.8	<b>2.9</b>	3.6	<b>0.8</b>	0.4	-	-	<b>43.6</b>	58.8
– investment properties	<b>0.2</b>	0.3	-	-	-	-	-	-	<b>0.2</b>	0.3

# NOTES TO THE FINANCIAL STATEMENTS

## 35 SEGMENTAL INFORMATION (CONTINUED)

### (2) By Geographical Segments

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Adjustments and Eliminations		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>(a) Shareholders' Fund</b>										
Investment income, net	<b>152.4</b>	115.9	<b>6.5</b>	14.6	<b>2.2</b>	2.0	-	-	<b>161.1</b>	132.5
Gain on sale of investments and changes in fair value	<b>94.9</b>	27.6	<b>1.0</b>	3.2	-	-	-	-	<b>95.9</b>	30.8
Fees and other income	<b>75.1</b>	67.1	<b>4.7</b>	5.8	-	-	-	-	<b>79.8</b>	72.9
Total revenue from external customers	<b>322.4</b>	210.6	<b>12.2</b>	23.6	<b>2.2</b>	2.0	-	-	<b>336.8</b>	236.2
Dividend from subsidiaries	<b>191.2</b>	201.3	-	-	-	-	<b>(191.2)</b>	(201.3)	-	-
Total revenue	<b>513.6</b>	411.9	<b>12.2</b>	23.6	<b>2.2</b>	2.0	<b>(191.2)</b>	(201.3)	<b>336.8</b>	236.2
Profit/(loss) after income tax	<b>735.0</b>	770.4	<b>250.9</b>	283.7	<b>(1.3)</b>	35.2	<b>(191.2)</b>	(201.3)	<b>793.4</b>	888.0
<u>As at 31 December:</u>										
Non-current assets	<b>21.1</b>	21.1	<b>13.1</b>	15.0	<b>0.6</b>	0.6	-	-	<b>34.8</b>	36.7
<b>(b) General Insurance Fund</b>										
Total revenue from external customers	<b>78.2</b>	78.3	<b>119.4</b>	129.6	-	-	-	-	<b>197.6</b>	207.9
<u>As at 31 December:</u>										
Non-current assets	<b>1.5</b>	0.9	<b>7.8</b>	8.2	-	-	-	-	<b>9.3</b>	9.1
<b>(c) Life Assurance Fund</b>										
Total revenue from external customers	<b>6,675.6</b>	6,312.2	<b>3,552.6</b>	3,700.0	<b>120.9</b>	168.0	-	-	<b>10,349.1</b>	10,180.2
<u>As at 31 December:</u>										
Non-current assets	<b>1,806.3</b>	1,865.9	<b>354.9</b>	384.7	<b>5.0</b>	5.5	-	-	<b>2,166.2</b>	2,256.1

Non-current assets information presented above consist of goodwill, investment properties and property, plant and equipment as presented in the consolidated balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 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:

- Always operate within the risk appetite set by the Board; and
- Ensure reward commensurate for any risk taken.

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 comprising the Group Chief Executive Officer and key Senior Management Executives:

- Group Management Team ("GMT")
- Group Asset-Liability Committee ("Group ALC")
- Group Information Technology Steering Committee ("Group ITSC")

GMT is responsible for providing leadership, direction and oversight with regards to all matters of the Group. The GMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for assisting GMT in balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodology 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").

### **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 is 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 has had no significant changes in the policies and processes relating to its capital structure during the year.

#### Regulatory Capital

The insurance subsidiaries of the Group are required to comply with capital ratios prescribed by the Insurance Regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore and Bank Negara, Malaysia respectively.

The Group's approach to capital management requires sufficient capital to be held to cover statutory 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### **Capital management** (continued)

#### Regulatory Capital (continued)

The primary source of capital used by the Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2015 amounted to \$9.9 billion (31 December 2014: \$9.6 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2015 amounted to \$7.5 billion (31 December 2014: \$8.5 billion).

#### 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 activities of the Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness, personal accident), and property and casualty.

The Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type 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 and product pricing, 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. A mis-estimation of the 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. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

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, thus there is no material concentrations in insurance risk.

Only reinsurers meeting a minimum credit rating of S&P A- are considered when deciding on which reinsurers to reinsure the Group's risk. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *Insurance Risk (continued)*

#### **Insurance Risks of Life Insurance Contracts** (continued)

A substantial portion of the Group's life assurance 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.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, 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 environment, expense patterns, mortality/morbidity patterns and lapse rates.

**TABLE 36(A):** The table below sets out the concentration of the life insurance risk as at the balance sheet date, net of reinsurance:

<b>in Singapore Dollars (millions)</b>	<b>Life Assurance</b>	
	<b>As at 31 December 2015</b>	<b>As at 31 December 2014</b>
	<b>Insurance liabilities</b>	<b>Insurance liabilities</b>
<b>(i) by Class of business:</b>		
<b>Whole life</b>	<b>27,630.9</b>	27,632.5
<b>Endowment</b>	<b>16,465.9</b>	15,860.2
<b>Term</b>	<b>407.6</b>	424.3
<b>Accident and health</b>	<b>1,392.4</b>	1,332.0
<b>Annuity</b>	<b>542.7</b>	570.9
<b>Others</b>	<b>1,074.4</b>	1,154.3
<b>Total</b>	<b>47,513.9</b>	46,974.2
<b>(ii) by Country:</b>		
<b>Singapore</b>	<b>30,681.3</b>	28,813.6
<b>Malaysia</b>	<b>16,385.3</b>	17,733.3
<b>Others</b>	<b>447.3</b>	427.3
<b>Total</b>	<b>47,513.9</b>	46,974.2

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:

	<b>Change in assumptions</b>
(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

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *Insurance Risk (continued)*

#### **Insurance Risks of Life Insurance Contracts** (continued)

**TABLE 36(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**

<b>(millions)</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>	<b>Scenario 5</b>	<b>Scenario 6</b>	<b>Scenario 7</b>
<b>2015</b>							
<b>Gross impact</b>	<b>(49.8)</b>	<b>(24.9)</b>	<b>68.5</b>	<b>(122.3)</b>	<b>51.0</b>	<b>(63.7)</b>	<b>(28.1)</b>
<b>Reinsurance ceded</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net impact</b>	<b>(49.8)</b>	<b>(24.9)</b>	<b>68.5</b>	<b>(122.3)</b>	<b>51.0</b>	<b>(63.7)</b>	<b>(28.1)</b>
<b>2014</b>							
Gross impact	(55.4)	(8.5)	72.2	(117.9)	47.4	(61.1)	(27.2)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(55.4)	(8.5)	72.2	(117.9)	47.4	(61.1)	(27.2)

**TABLE 36(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**

<b>(millions)</b>	<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>	<b>Scenario 4</b>	<b>Scenario 5</b>	<b>Scenario 6</b>	<b>Scenario 7</b>
<b>2015</b>							
<b>Gross impact</b>	<b>(58.6)</b>	<b>50.9</b>	<b>(13.7)</b>	<b>10.4</b>	<b>(5.4)</b>	<b>6.5</b>	<b>(11.1)</b>
<b>Reinsurance ceded</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net impact</b>	<b>(58.6)</b>	<b>50.9</b>	<b>(13.7)</b>	<b>10.4</b>	<b>(5.4)</b>	<b>6.5</b>	<b>(11.1)</b>
<b>2014</b>							
Gross impact	(57.1)	53.2	(14.5)	11.2	(4.2)	5.9	(9.4)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(57.1)	53.2	(14.5)	11.2	(4.2)	5.9	(9.4)

The above table demonstrates 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 and significant assumptions made for deriving sensitivity information above did not change from the previous year.

#### **Insurance Risk 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 Notes 17 and 18 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Insurance Risk (continued)

#### Insurance Risks of Life Insurance Contracts (continued)

**TABLE 36(C1):** The table below sets out the concentration of the non-life insurance risk as at the balance sheet date:

#### (i) by Class of business:

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2015			As at 31 December 2014		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Fire	25.5	(15.6)	9.9	21.6	(13.5)	8.1
Motor	29.9	(1.9)	28.0	35.1	(1.4)	33.7
Marine & aviation	8.9	(7.2)	1.7	2.3	(1.9)	0.4
Workmen's compensation	12.6	(4.2)	8.4	11.1	(3.2)	7.9
Personal accident & health	19.4	(2.5)	16.9	18.3	(1.8)	16.5
Miscellaneous	30.3	(19.1)	11.2	34.3	(23.3)	11.0
<b>Total</b>	<b>126.6</b>	<b>(50.5)</b>	<b>76.1</b>	<b>122.7</b>	<b>(45.1)</b>	<b>77.6</b>

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2015			As at 31 December 2014		
	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Fire	37.3	(29.8)	7.5	34.3	(25.1)	9.2
Motor	72.3	(5.5)	66.8	76.0	(6.1)	69.9
Marine & aviation	7.1	(4.9)	2.2	11.7	(9.3)	2.4
Workmen's compensation	24.9	(9.3)	15.6	22.1	(7.5)	14.6
Personal accident & health	15.4	(1.9)	13.5	13.3	(1.8)	11.5
Miscellaneous	69.9	(54.8)	15.1	62.4	(45.7)	16.7
<b>Total</b>	<b>226.9</b>	<b>(106.2)</b>	<b>120.7</b>	<b>219.8</b>	<b>(95.5)</b>	<b>124.3</b>

#### (ii) by Country:

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2015			As at 31 December 2014		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Singapore	60.0	(26.0)	34.0	59.8	(25.0)	34.8
Malaysia	66.6	(24.5)	42.1	62.9	(20.1)	42.8
<b>Total</b>	<b>126.6</b>	<b>(50.5)</b>	<b>76.1</b>	<b>122.7</b>	<b>(45.1)</b>	<b>77.6</b>

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2015			As at 31 December 2014		
	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Singapore	93.7	(45.4)	48.3	82.6	(38.1)	44.5
Malaysia	133.2	(60.8)	72.4	137.2	(57.4)	79.8
<b>Total</b>	<b>226.9</b>	<b>(106.2)</b>	<b>120.7</b>	<b>219.8</b>	<b>(95.5)</b>	<b>124.3</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *Insurance Risk (continued)*

#### **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 emphasizing 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, strict 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 all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing 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.

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

<b>in Singapore Dollars (millions)</b>	<b>Change in assumptions</b>	<b>Impact on gross liabilities</b>	<b>Impact on net liabilities</b>	<b>Impact on profit before tax</b>	<b>Impact on equity</b>
<b>As at 31 December 2015</b>					
<b>Provision for adverse deviation margin</b>	<b>+20%</b>	<b>2.9</b>	<b>1.7</b>	<b>(1.7)</b>	<b>(1.3)</b>
<b>Loss ratio<sup>(1)</sup></b>	<b>+20%</b>	<b>44.8</b>	<b>32.2</b>	<b>(32.2)</b>	<b>(25.2)</b>
<b>Claim handling expenses</b>	<b>+20%</b>	<b>0.6</b>	<b>0.6</b>	<b>(0.6)</b>	<b>(0.5)</b>
<b>As at 31 December 2014</b>					
Provision for adverse deviation margin	+20%	2.7	1.9	(1.9)	(1.5)
Loss ratio <sup>(1)</sup>	+20%	40.8	30.4	(30.4)	(23.9)
Claim handling expenses	+20%	0.6	0.6	(0.6)	(0.4)

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

<sup>(1)</sup> Best estimate reserves and current accident year payments.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *Insurance Risk (continued)*

**TABLE 36(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 2015:

in Singapore Dollars (millions)	2008	2009	2010	2011	2012	2013	2014	2015	Total
<b><u>Estimate of cumulative claims</u></b>									
Accident Year	51.4	65.8	68.5	111.9	93.4	137.6	126.8	166.2	
One year later	51.9	70.9	84.6	112.7	99.6	130.6	118.8	–	
Two years later	52.0	92.4	83.8	96.1	96.9	117.3	–	–	
Three years later	72.9	90.9	79.0	91.8	94.3	–	–	–	
Four years later	72.1	86.8	75.5	85.9	–	–	–	–	
Five years later	69.1	84.0	74.3	–	–	–	–	–	
Six years later	67.6	83.4	–	–	–	–	–	–	
Seven years later	66.5	–	–	–	–	–	–	–	
<b>Current estimate of cumulative claims</b>	<b>66.5</b>	<b>83.4</b>	<b>74.3</b>	<b>85.9</b>	<b>94.3</b>	<b>117.3</b>	<b>118.8</b>	<b>166.2</b>	
<b><u>Cumulative payments</u></b>									
Accident Year	21.0	28.3	27.3	35.4	37.1	38.3	38.7	51.5	
One year later	40.4	50.5	58.3	64.1	64.3	78.7	87.4	–	
Two years later	44.6	74.2	66.5	74.8	75.4	91.2	–	–	
Three years later	63.5	77.6	69.4	77.7	80.6	–	–	–	
Four years later	65.1	80.3	70.7	80.3	–	–	–	–	
Five years later	65.5	80.6	71.1	–	–	–	–	–	
Six years later	65.9	80.9	–	–	–	–	–	–	
Seven years later	65.6	–	–	–	–	–	–	–	
<b>Cumulative payments</b>	<b>65.6</b>	<b>80.9</b>	<b>71.1</b>	<b>80.3</b>	<b>80.6</b>	<b>91.2</b>	<b>87.4</b>	<b>51.5</b>	
<b>Non-life gross claim liabilities</b>	<b>0.9</b>	<b>2.5</b>	<b>3.2</b>	<b>5.6</b>	<b>13.7</b>	<b>26.1</b>	<b>31.4</b>	<b>114.7</b>	<b>198.1</b>
<b>Reserve for prior years</b>									<b>29.3</b>
<b>Unallocated surplus</b>									<b>(0.5)</b>
<b>General Insurance Fund Contract Liabilities, gross</b>									<b>226.9</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *Insurance Risk (continued)*

**TABLE 36(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 2015:

<b>in Singapore Dollars (millions)</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>Total</b>
<b><u>Estimate of cumulative claims</u></b>									
Accident Year	32.2	37.9	46.1	72.4	64.2	92.9	80.5	82.9	
One year later	32.6	41.1	59.5	77.5	70.1	74.2	77.2	–	
Two years later	32.5	58.6	59.3	60.9	66.4	71.8	–	–	
Three years later	48.7	57.5	56.4	59.0	65.1	–	–	–	
Four years later	47.9	54.6	54.1	54.9	–	–	–	–	
Five years later	44.9	52.3	53.0	–	–	–	–	–	
Six years later	43.9	52.1	–	–	–	–	–	–	
Seven years later	43.1	–	–	–	–	–	–	–	
<b>Current estimate of cumulative claims</b>	<b>43.1</b>	<b>52.1</b>	<b>53.0</b>	<b>54.9</b>	<b>65.1</b>	<b>71.8</b>	<b>77.2</b>	<b>82.9</b>	
<b><u>Cumulative payments</u></b>									
Accident Year	14.5	18.9	21.4	25.0	31.5	30.2	31.6	30.1	
One year later	25.8	31.5	43.7	43.5	49.3	55.0	59.3	–	
Two years later	28.0	46.8	48.3	48.6	56.0	61.3	–	–	
Three years later	41.7	49.2	50.2	50.5	58.4	–	–	–	
Four years later	42.4	50.4	50.9	51.5	–	–	–	–	
Five years later	42.6	50.6	51.2	–	–	–	–	–	
Six years later	42.8	50.8	–	–	–	–	–	–	
Seven years later	42.9	–	–	–	–	–	–	–	
<b>Cumulative payments</b>	<b>42.9</b>	<b>50.8</b>	<b>51.2</b>	<b>51.5</b>	<b>58.4</b>	<b>61.3</b>	<b>59.3</b>	<b>30.1</b>	
<b>Non-life net claim liabilities</b>	<b>0.2</b>	<b>1.3</b>	<b>1.8</b>	<b>3.4</b>	<b>6.7</b>	<b>10.5</b>	<b>17.9</b>	<b>52.8</b>	<b>94.6</b>
<b>Reserve for prior years</b>									<b>26.6</b>
<b>Unallocated surplus</b>									<b>(0.5)</b>
<b>General Insurance Fund Contract Liabilities, net</b>									<b>120.7</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 36 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 monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity price; as well as other risks like credit and liquidity risks are briefly described as follows:

- (a) **Interest rate risk (including asset liability mismatch).** The Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds 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.

In 2009, the Group commenced an exercise to achieve portfolio matching of the assets and liabilities of GEL Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the zero-coupon spot yield of SGS of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching program will still be subject to the LTRFDR requirement.

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

- (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 movement on net investment in its foreign subsidiaries. The major item for the Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by Bank Negara, Malaysia.

**TABLE 36(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	Not subject to foreign currency risk	Total
<b>As at 31 December 2015</b>						
<b>FINANCIAL AND</b>						
<b>INSURANCE-RELATED ASSETS</b>						
<b>Available-for-sale securities</b>						
Equity securities	2,932.9	3,642.1	891.1	3,593.4	-	11,059.5
Debt securities	12,126.3	11,804.2	8,205.4	212.0	-	32,347.9
Other investments	1,591.2	143.4	1,608.6	233.5	-	3,576.7
<b>Securities at fair value through profit or loss</b>						
Equity securities	111.6	1,183.2	227.8	549.8	-	2,072.4
Debt securities	17.9	323.9	199.0	292.4	-	833.2
Other investments	1,304.3	25.0	236.9	247.1	-	1,813.3
<b>Financial instruments held-for-trading</b>						
Equity securities	-	6.5	-	-	-	6.5
Debt securities	338.4	918.5	91.0	0.9	-	1,348.8
Derivative financial assets	30.3	-	7.0	0.8	-	38.1
Loans	662.2	1,129.3	17.0	-	-	1,808.5
Insurance receivables	990.6	1,560.5	3.3	21.6	-	2,576.0
Other debtors and interfund balances	506.0	296.3	239.6	21.8	1,287.0	2,350.7
Cash and cash equivalents	2,266.6	789.6	236.9	198.0	-	3,491.1
	22,878.3	21,822.5	11,963.6	5,371.3	1,287.0	63,322.7
<b>FINANCIAL AND</b>						
<b>INSURANCE-RELATED LIABILITIES</b>						
Other creditors and interfund balances	666.2	311.7	198.0	67.6	1,287.0	2,530.5
Insurance payables	863.0	2,512.1	3.8	12.7	-	3,391.6
Derivative financial liabilities	108.8	1.9	401.7	9.0	-	521.4
Provision for agents' retirement benefits	-	250.6	-	-	-	250.6
Debt issued	399.5	-	-	-	-	399.5
<b>General insurance fund contract liabilities</b>						
	93.6	133.3	-	-	-	226.9
Life assurance fund contract liabilities	29,685.6	16,385.3	1,035.5	407.5	-	47,513.9
	31,816.7	19,594.9	1,639.0	496.8	1,287.0	54,834.4

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (b) Foreign currency risk. (continued)

**TABLE 36(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	Not subject to foreign currency risk	Total
<u>As at 31 December 2014</u>						
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED ASSETS</u>						
Available-for-sale securities						
Equity securities	2,758.7	4,281.6	1,021.5	3,685.0	-	11,746.8
Debt securities	10,768.5	13,273.2	7,381.9	238.7	-	31,662.3
Other investments	729.1	159.8	1,931.4	552.5	-	3,372.8
Securities at fair value through profit or loss						
Equity securities	91.2	1,074.3	234.3	492.0	-	1,891.8
Debt securities	8.9	347.5	213.0	290.5	-	859.9
Other investments	1,392.3	23.9	223.2	238.5	-	1,877.9
Financial instruments held-for-trading						
Equity securities	-	15.3	1.8	-	-	17.1
Debt securities	543.0	1,011.0	94.7	-	-	1,648.7
Derivative financial assets	107.3	-	5.7	0.4	-	113.4
Loans	592.2	1,242.6	15.9	0.1	-	1,850.8
Insurance receivables	961.4	1,688.2	3.9	22.6	-	2,676.1
Other debtors and interfund balances	348.8	229.2	132.6	37.7	1,454.6	2,202.9
Cash and cash equivalents	1,796.5	1,066.0	255.4	136.4	-	3,254.3
	<u>20,097.9</u>	<u>24,412.6</u>	<u>11,515.3</u>	<u>5,694.4</u>	<u>1,454.6</u>	<u>63,174.8</u>
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED LIABILITIES</u>						
Other creditors and interfund balances	597.2	319.6	113.2	113.5	1,454.6	2,598.1
Insurance payables	806.3	2,617.4	2.1	14.5	-	3,440.3
Derivative financial liabilities	47.1	-	292.0	2.3	-	341.4
Provision for agents' retirement benefits	-	270.0	-	-	-	270.0
Loan payable to holding company	41.2	-	-	-	-	41.2
Debt issued	399.4	-	-	-	-	399.4
General insurance fund contract liabilities	82.6	137.2	-	-	-	219.8
Life assurance fund contract liabilities	27,996.7	17,733.3	856.4	387.8	-	46,974.2
	<u>29,970.5</u>	<u>21,077.5</u>	<u>1,263.7</u>	<u>518.1</u>	<u>1,454.6</u>	<u>54,284.4</u>

The Group has no significant concentration of foreign currency risk.

- (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 in both Shareholders' Fund and Insurance Funds, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### *Market and Credit Risk (continued)*

- (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) **Cash flow and liquidity risk.** Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (g) Cash flow and liquidity risk. (continued)

##### Maturity Profile

**TABLE 36(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
<b>As at 31 December 2015</b>						
<b>FINANCIAL AND</b>						
<b>INSURANCE-RELATED ASSETS</b>						
<b>Available-for-sale securities</b>						
Equity securities	11,059.5	–	–	–	11,059.5	11,059.5
Debt securities	32,347.9	1,950.5	11,747.1	33,180.3	–	46,877.9
Other investments	3,576.7	–	–	–	3,576.7	3,576.7
<b>Securities at fair value through profit or loss</b>						
Equity securities	2,072.4	–	–	–	2,072.4	2,072.4
Debt securities	833.2	144.0	351.1	658.2	–	1,153.3
Other investments	1,813.3	–	–	–	1,813.3	1,813.3
<b>Financial instruments held-for-trading</b>						
Equity securities	6.5	–	5.8	0.7	–	6.5
Debt securities	1,348.8	156.1	1,179.0	329.4	–	1,664.5
Loans	1,808.5	292.3	1,512.1	230.4	–	2,034.8
Insurance receivables	2,576.0	343.4	(4.8)	1.1	2,236.3	2,576.0
Other debtors and interfund balances	2,350.7	2,287.2	6.9	24.3	32.3	2,350.7
Cash and cash equivalents	3,491.1	3,491.1	–	–	–	3,491.1
	<b>63,284.6</b>	<b>8,664.6</b>	<b>14,797.2</b>	<b>34,424.4</b>	<b>20,790.5</b>	<b>78,676.7</b>
<b>FINANCIAL AND</b>						
<b>INSURANCE-RELATED LIABILITIES</b>						
Other creditors and interfund balances	2,530.5	2,456.7	6.9	1.5	65.4	2,530.5
Insurance payables	3,391.6	2,933.7	443.0	4.6	10.3	3,391.6
<b>Provision for agents' retirement benefits</b>						
	250.6	70.3	53.9	126.4	–	250.6
Debt issued	399.5	18.4	73.6	409.2	–	501.2
<b>General insurance fund contract liabilities</b>						
	226.9	195.6	(2.4)	1.7	32.0	226.9
Life assurance fund contract liabilities	47,513.9	6,485.1	5,360.7	35,668.1	–	47,513.9
	<b>54,313.0</b>	<b>12,159.8</b>	<b>5,935.7</b>	<b>36,211.5</b>	<b>107.7</b>	<b>54,414.7</b>



# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (g) Cash flow and liquidity risk. (continued)

**TABLE 36(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
<u>As at 31 December 2014</u>						
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED ASSETS</u>						
Available-for-sale securities						
Equity securities	11,746.8	–	–	–	11,746.8	11,746.8
Debt securities	31,662.3	2,108.9	9,795.6	31,910.4	–	43,814.9
Other investments	3,372.8	–	–	–	3,372.8	3,372.8
Securities at fair value through profit or loss						
Equity securities	1,891.8	–	–	–	1,891.8	1,891.8
Debt securities	859.9	113.2	380.1	600.2	–	1,093.5
Other investments	1,877.9	–	–	–	1,877.9	1,877.9
Financial instruments held-for-trading						
Equity securities	17.1	–	15.3	–	–	15.3
Debt securities	1,648.7	188.4	916.8	951.8	–	2,057.0
Loans	1,850.8	282.8	1,478.5	397.2	–	2,158.5
Insurance receivables	2,676.1	322.4	2.4	0.5	2,350.8	2,676.1
Other debtors and interfund balances	2,202.9	2,112.2	26.4	18.2	46.1	2,202.9
Cash and cash equivalents	3,254.3	3,254.3	–	–	–	3,254.3
	63,061.4	8,382.2	12,615.1	33,878.3	21,286.2	76,161.8
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED LIABILITIES</u>						
Other creditors and interfund balances	2,598.1	2,571.4	15.0	11.7	–	2,598.1
Insurance payables	3,440.3	3,007.6	417.5	2.9	12.3	3,440.3
Provision for agents' retirement benefits	270.0	73.2	54.5	142.3	–	270.0
Loan payable to holding company	41.2	42.0	–	–	–	42.0
Debt issued	399.4	18.4	73.6	427.6	–	519.6
General insurance fund contract liabilities	219.8	184.9	5.3	0.4	29.2	219.8
Life assurance fund contract liabilities	46,974.2	6,796.1	4,777.2	35,400.9	–	46,974.2
	53,943.0	12,693.6	5,343.1	35,985.8	41.5	54,064.0

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (g) Cash flow and liquidity risk. (continued)

TABLE 36(E2): The following tables show the current/non-current classification of assets and liabilities:

in Singapore Dollars (millions)	Current*	Non- Current	Unit- linked	Total
<b>As at 31 December 2015</b>				
<b>ASSETS</b>				
Cash and cash equivalents	3,154.7	–	336.4	3,491.1
Other debtors and interfund balances	2,412.0	84.1	89.5	2,585.6
Insurance receivables	343.4	2,232.6	–	2,576.0
Loans	134.8	1,673.7	–	1,808.5
Derivative financial assets	27.1	8.2	2.8	38.1
Investments	6,496.9	41,991.1	4,570.3	53,058.3
Associates	–	52.8	–	52.8
Intangible assets	–	32.1	–	32.1
Property, plant and equipment	–	610.1	–	610.1
Investment properties	–	1,568.1	–	1,568.1
	<b>12,568.9</b>	<b>48,252.8</b>	<b>4,999.0</b>	<b>65,820.7</b>
<b>LIABILITIES</b>				
Insurance payables	2,936.9	447.5	7.2	3,391.6
Other creditors and interfund balances	2,379.4	75.9	107.0	2,562.3
Unexpired risk reserve	126.6	–	–	126.6
Derivative financial liabilities	126.3	389.6	5.5	521.4
Income tax	491.6	–	5.5	497.1
Provision for agents' retirement benefits	70.3	180.3	–	250.6
Deferred tax	–	1,061.3	7.0	1,068.3
Debt issued	–	399.5	–	399.5
General insurance fund	195.6	32.6	–	228.2
Life assurance fund	1,518.0	43,971.2	4,988.9	50,478.1
	<b>7,844.7</b>	<b>46,557.9</b>	<b>5,121.1</b>	<b>59,523.7</b>

\* expected recovery or settlement within 12 months from the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (g) Cash flow and liquidity risk. (continued)

**TABLE 36(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
<u>As at 31 December 2014</u>				
<u>ASSETS</u>				
Cash and cash equivalents	2,797.3	-	457.0	3,254.3
Other debtors and interfund balances	2,159.2	65.7	89.2	2,314.1
Insurance receivables	385.6	2,290.5	-	2,676.1
Loans	215.0	1,635.8	-	1,850.8
Derivative financial assets	21.7	86.7	5.0	113.4
Investments	6,761.2	41,672.8	4,643.3	53,077.3
Associates	-	89.5	-	89.5
Intangible assets	-	33.3	-	33.3
Property, plant and equipment	-	636.6	-	636.6
Investment properties	-	1,632.0	-	1,632.0
	12,340.0	48,142.9	5,194.5	65,677.4
<u>LIABILITIES</u>				
Insurance payables	3,011.9	420.4	8.0	3,440.3
Other creditors and interfund balances	2,455.3	28.5	149.3	2,633.1
Unexpired risk reserve	122.7	-	-	122.7
Derivative financial liabilities	102.5	230.6	8.3	341.4
Income tax	443.4	-	18.3	461.7
Provision for agents' retirement benefits	73.2	196.8	-	270.0
Deferred tax	-	1,130.9	5.3	1,136.2
Loan payable to holding company	41.2	-	-	41.2
Debt issued	-	399.4	-	399.4
General insurance fund	184.9	36.3	-	221.2
Life assurance fund	1,709.4	43,863.9	5,105.0	50,678.3
	8,144.5	46,306.8	5,294.2	59,745.5

\* expected recovery or settlement within 12 months from the balance sheet date.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 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 or counterparty and by investment grades. 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 by following policy guidelines in respect of 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% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. 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:

To manage counterparty credit risk from derivative contracts, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is \$0.8 million (2014: \$11.0 million), of which none (2014: nil) have been sold or re-pledged. The type of collateral obtained for derivatives contracts is cash. The Group is obliged to return equivalent assets.

in Singapore Dollars (millions)	Type of Collateral	Carrying Amount	Fair Value of Collateral
<b>As at 31 December 2015</b>			
<b>Secured loans</b>	<b>Properties</b>	<b>1,171.6</b>	<b>2,674.4</b>
	<b>Others</b>	<b>546.8</b>	<b>25.7</b>
<b>Policy loans</b>	<b>Cash value of policies</b>	<b>2,162.4</b>	<b>4,455.8</b>
<b>Derivatives</b>	<b>Cash</b>	<b>1.6</b>	<b>0.8</b>
		<b>3,882.4</b>	<b>7,156.7</b>
<b>As at 31 December 2014</b>			
Secured loans	Properties	1,226.8	2,689.5
	Others	623.9	31.3
Policy loans	Cash value of policies	2,288.8	4,595.1
Derivatives	Cash	9.8	11.0
		4,149.3	7,326.9

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (h) Credit risk. (continued)

There were no investments lent and collateral received under securities lending arrangements as at 31 December 2015 (31 December 2014: nil).

As at the balance sheet date, no investments (2014: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under terms and conditions that are usual and customary for standard securities borrowing and lending activities.

The tables below show the maximum exposure to credit risk for the components of the balance sheet. 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 derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in value. The tables also provide information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

in Singapore Dollars (millions)	Neither past-due nor impaired			Unit-linked	Not subject to credit risk	Past due**	Total
	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)	Not Rated				
<b>As at 31 December 2015</b>							
<b>Available-for-sale securities</b>							
Equity securities	-	-	-	-	11,059.5	-	11,059.5
Debt securities	27,854.7	199.7	4,293.5	-	-	-	32,347.9
Other investments	-	-	-	-	3,576.7	-	3,576.7
<b>Securities at fair value through profit or loss</b>							
Equity securities	61.4	10.2	63.4	1,937.4	-	-	2,072.4
Debt securities	2.6	12.8	7.1	810.7	-	-	833.2
Other investments	8.0	-	-	1,805.3	-	-	1,813.3
<b>Financial instruments held-for-trading</b>							
Equity securities	-	-	-	2.6	3.9	-	6.5
Debt securities	906.3	-	428.2	14.3	-	-	1,348.8
Derivative financial assets	33.9	-	1.4	2.8	-	-	38.1
Loans	527.7	-	1,263.8	-	-	17.0	1,808.5
Insurance receivables	95.1	-	2,453.2	-	-	27.7	2,576.0
Other debtors and interfund balances	-	-	2,261.6	89.0	-	0.1	2,350.7
Cash and cash equivalents	3,030.3	20.4	104.0	336.4	-	-	3,491.1
	<b>32,520.0</b>	<b>243.1</b>	<b>10,876.2</b>	<b>4,998.5</b>	<b>14,640.1</b>	<b>44.8</b>	<b>63,322.7</b>

\* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

\*\* An aging analysis for financial assets past due is provided below.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (h) Credit risk. (continued)

in Singapore Dollars (millions)	Neither past-due nor impaired			Unit- linked	Not subject to credit risk	Past due**	Total
	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)	Not Rated				
<u>As at 31 December 2014</u>							
Available-for-sale securities							
Equity securities	–	–	–	–	11,746.8	–	11,746.8
Debt securities	27,589.5	202.7	3,870.1	–	–	–	31,662.3
Other investments	–	–	–	–	3,372.8	–	3,372.8
Securities at fair value through profit or loss							
Equity securities	–	–	–	1,891.8	–	–	1,891.8
Debt securities	–	–	2.7	857.2	–	–	859.9
Other investments	–	–	–	1,877.9	–	–	1,877.9
Financial instruments held-for- trading							
Equity securities	–	–	–	2.2	14.9	–	17.1
Debt securities	1,000.6	–	633.9	14.2	–	–	1,648.7
Derivative financial assets	107.8	–	0.6	5.0	–	–	113.4
Loans	605.8	–	1,245.0	–	–	–	1,850.8
Insurance receivables	146.1	–	2,496.9	–	–	33.1	2,676.1
Other debtors and interfund balances							
	–	–	2,113.2	89.2	–	0.5	2,202.9
Cash and cash equivalents	2,656.3	21.3	119.7	457.0	–	–	3,254.3
	32,106.1	224.0	10,482.1	5,194.5	15,134.5	33.6	63,174.8

\* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

\*\* An aging analysis for financial assets past due is provided below.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (h) Credit risk. (continued)

Aging analysis of financial assets past due:

in Singapore Dollars (millions)	Past due but not impaired			Total	Past due and impaired	Total
	< 6 months	6 months to 12 months	> 12 months			
<b>As at 31 December 2015</b>						
Loans	17.0	–	–	17.0	–	17.0
Insurance receivables	21.4	4.5	1.8	27.7	7.0	34.7
Other debtors and interfund balances	0.1	–	–	0.1	–	0.1
	<b>38.5</b>	<b>4.5</b>	<b>1.8</b>	<b>44.8</b>	<b>7.0</b>	<b>51.8</b>
<b>As at 31 December 2014</b>						
Insurance receivables	25.2	5.1	2.8	33.1	13.0	46.1
Other debtors and interfund balances	0.2	–	0.3	0.5	–	0.5
	25.4	5.1	3.1	33.6	13.0	46.6

For assets to be classified as “past due and impaired”, contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.

- (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 analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

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 impact on equity represents the impact on net profit after tax and the effect on changes in fair value of financial assets held in Shareholders' Funds.

# NOTES TO THE FINANCIAL STATEMENTS

## 36 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

### Market and Credit Risk (continued)

#### (j) Sensitivity analysis on financial risks. (continued)

Market risk sensitivity analysis:

in Singapore Dollars (millions)	Impact on Profit After Tax		Impact on Equity	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
<b>Change in variables:</b>				
<b>(a) Interest Rate</b>				
+ 100 basis points	(34.4)	(70.8)	(134.9)	(166.1)
– 100 basis points	(9.1)	7.9	98.9	110.1
<b>(b) LTRFDR<sup>(1)</sup></b>				
+ 10 basis points	15.2	14.3	15.2	14.3
– 10 basis points	(16.1)	(15.0)	(16.1)	(15.0)
<b>(c) Foreign Currency</b>				
5% increase in market value of foreign currency denominated assets	4.8	16.5	57.4	84.2
5% decrease in market value of foreign currency denominated assets	(4.8)	(16.5)	(57.4)	(84.2)
<b>(d) Equity</b>				
20% increase in market indices:				
– STI	17.6	20.3	96.9	82.1
– KLCI	0.3	0.8	10.7	19.3
20% decrease in market indices:				
– STI	(17.6)	(20.3)	(96.9)	(82.1)
– KLCI	(0.3)	(0.8)	(10.7)	(19.3)
<b>(e) Credit</b>				
Spread + 100 basis points	(214.4)	(229.0)	(280.6)	(294.8)
Spread – 100 basis points	251.1	271.1	322.1	342.1
<b>(f) Alternative Investments<sup>(2)</sup></b>				
10% increase in market value of all alternative investments	20.1	18.2	41.0	43.5
10% decrease in market value of all alternative investments	(20.1)	(18.2)	(41.0)	(43.5)

<sup>(1)</sup> LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.

<sup>(2)</sup> Alternative Investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and signification variables did not change from the previous year.



# NOTES TO THE FINANCIAL STATEMENTS

## 36 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, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- laws, regulations and rules governing insurance business and financial activities undertaken by Great Eastern
- codes of practice promoted by industry associations
- internal standards and guidelines.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMT 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 any event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed technology controls, processes or human behavior.

Great Eastern adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse 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.

## 37 FAIR VALUE OF ASSETS AND LIABILITIES

### **37.1 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.

#### Transfers between levels of the fair value hierarchy

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.

# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.2 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 period:

in Singapore Dollars (millions)	Group 2015			Total
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
<b>Fair value measurements at the end of the reporting period using</b>				
<b>As at 31 December 2015</b>				
<b>Recurring Fair Value Measurements</b>				
<b>FINANCIAL ASSETS</b>				
<b>Derivative financial assets</b>				
Foreign exchange				
Forwards	–	10.5	–	10.5
Currency swaps	–	23.1	–	23.1
Interest rates				
Swaps	–	2.9	–	2.9
Exchange traded futures	1.6	–	–	1.6
	1.6	36.5	–	38.1
<b>Available-for-sale financial assets</b>				
Equity securities				
Quoted equity securities	10,321.8	–	–	10,321.8
Unquoted equity securities	–	474.9	–	474.9
Debt securities				
Quoted debt securities	18,595.9	2,157.2	–	20,753.1
Unquoted debt securities	–	11,594.8	–	11,594.8
Other investments				
Collective investment schemes	2,161.0	1,415.7	–	3,576.7
	31,078.7	15,642.6	–	46,721.3
<b>Financial assets designated at fair value through profit or loss</b>				
Equity securities				
Quoted equity securities	2,070.3	–	–	2,070.3
Unquoted equity securities	–	2.1	–	2.1
Debt securities				
Quoted debt securities	424.0	6.8	–	430.8
Unquoted debt securities	–	402.4	–	402.4
Other investments				
Collective investment schemes	1,605.0	208.3	–	1,813.3
	4,099.3	619.6	–	4,718.9

# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.2 Assets and Liabilities Measured at Fair Value (continued)

in Singapore Dollars (millions)	Group 2015			Total
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
<b>Financial assets held-for-trading</b>				
Equity securities				
Quoted equity securities	6.5	-	-	6.5
Debt securities				
Quoted debt securities	425.2	4.2	-	429.4
Unquoted debt securities	-	919.4	-	919.4
	431.7	923.6	-	1,355.3
<b>Financial assets as at 31 December 2015</b>	<b>35,611.3</b>	<b>17,222.3</b>	<b>-</b>	<b>52,833.6</b>
<b><u>NON-FINANCIAL ASSETS</u></b>				
Investment properties	-	-	1,568.1	1,568.1
<b>Non-financial assets as at 31 December 2015</b>	<b>-</b>	<b>-</b>	<b>1,568.1</b>	<b>1,568.1</b>
<b><u>FINANCIAL LIABILITIES</u></b>				
<b>Derivative financial liabilities</b>				
Foreign exchange				
Forwards	-	39.4	-	39.4
Currency swaps	-	467.4	-	467.4
Interest rates				
Swaps	-	14.5	-	14.5
Exchange traded futures	0.1	-	-	0.1
<b>Financial liabilities as at 31 December 2015</b>	<b>0.1</b>	<b>521.3</b>	<b>-</b>	<b>521.4</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.2 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 period (continued):

	Group 2014			Total
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
in Singapore Dollars (millions)				
<u>As at 31 December 2014</u>				
<u>Recurring Fair Value Measurements</u>				
<u>FINANCIAL ASSETS</u>				
Derivative financial assets				
Foreign exchange				
Forwards	–	11.8	–	11.8
Currency swaps	–	61.6	–	61.6
Interest rates				
Swaps	–	39.1	–	39.1
Exchange traded futures	0.9	–	–	0.9
	0.9	112.5	–	113.4
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	10,856.2	–	–	10,856.2
Unquoted equity securities	–	603.8	–	603.8
Debt securities				
Quoted debt securities	19,542.3	13.2	–	19,555.5
Unquoted debt securities	–	12,106.8	–	12,106.8
Other investments				
Collective investment schemes	1,595.9	1,776.9	–	3,372.8
	31,994.4	14,500.7	–	46,495.1
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	1,890.7	–	–	1,890.7
Unquoted equity securities	–	1.1	–	1.1
Debt securities				
Quoted debt securities	459.1	1.7	–	460.8
Unquoted debt securities	–	399.1	–	399.1
Other investments				
Collective investment schemes	1,700.4	177.5	–	1,877.9
	4,050.2	579.4	–	4,629.6

# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.2 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 period (continued):

	Group 2014			Total
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
in Singapore Dollars (millions)				
Financial assets held-for-trading				
Equity securities				
Quoted equity securities	15.3	–	–	15.3
Unquoted equity securities	–	1.8	–	1.8
Debt securities				
Quoted debt securities	586.3	–	–	586.3
Unquoted debt securities	–	1,062.4	–	1,062.4
	601.6	1,064.2	–	1,665.8
Financial assets as at 31 December 2014	36,647.1	16,256.8	–	52,903.9
<u>NON-FINANCIAL ASSETS</u>				
Investment properties	–	–	1,632.0	1,632.0
Non-financial assets as at 31 December 2014	–	–	1,632.0	1,632.0
<u>FINANCIAL LIABILITIES</u>				
Derivative financial liabilities				
Foreign exchange				
Forwards	–	101.5	–	101.5
Currency swaps	–	236.4	–	236.4
Interest rates				
Swaps	–	1.8	–	1.8
Exchange traded futures	1.7	–	–	1.7
Financial liabilities as at 31 December 2014	1.7	339.7	–	341.4

# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.3 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 2015	Valuation techniques	Unobservable inputs	Range (weighted average)
Investment properties	1,568.1	Income approach	Rental psf per month	\$1.04 to \$1.81
			Rental growth rate	12.50%
			Long-term vacancy rate	5.00%
			Discount rate	3.75% to 6.50%
			Comparison approach	Estimated psf \$15 to \$3,520

Description	Fair value as at 31 December 2014	Valuation Techniques	Unobservable inputs	Range (weighted average)
Investment properties	1,632.0	Income approach	Rental psf per month	\$1.19 to \$2.08
			Rental growth rate	5.00%
			Long-term vacancy rate	5.00%
			Discount rate	3.75% to 6.25%
			Comparison approach	Estimated psf \$8 to \$4,824

For investment properties, a significant increase/(decrease) in unobservable inputs would result in a significantly higher/(lower) fair value measurement.

# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.3 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):

in Singapore Dollars (millions)	Group	
	Fair value measurements using significant unobservable inputs (Level 3)	
	2015	2014
	<b>Investment Properties</b>	
<b>Opening balance</b>	<b>1,632.0</b>	1,561.0
Total loss for the year:		
Included in profit and loss statement		
– Gain on sale of investments and changes in fair value	<b>(37.6)</b>	(4.6)
Additions for the year:		
Additions	<b>0.2</b>	0.3
Reclassification from property, plant and equipment	–	79.1
Currency translation reserve adjustment	<b>(26.5)</b>	(3.8)
<b>Closing balance</b>	<b>1,568.1</b>	1,632.0

### 37.4 Transfers between Fair Value Hierarchy

#### Transfers between Level 1 and Level 2

The following table shows transfers from Level 1 to Level 2 of the fair value hierarchy for assets which are recorded at fair value.

in Singapore Dollars (millions)	Group	
	2015	2014
<b>Available-for-sale financial assets</b>		
Equity securities	–	240.0

The above financial assets were transferred from Level 1 to Level 2 as they were delisted from the stock exchange and therefore ceased to be actively traded during the year and fair values were consequently measured using valuation techniques and using observable market inputs.

# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.5 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 2015	
	Fair value measurements at the end of the reporting period 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
<b>Assets</b>					
Loans	-	1,818.1	-	1,818.1	1,808.5
Freehold land, leasehold land and buildings	-	-	772.3	772.3	466.9

	Group			31 December 2014	
	Fair value measurements at the end of the reporting period 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
<b>Assets</b>					
Loans	-	1,866.5	-	1,866.5	1,850.8
Freehold land, leasehold land and buildings	-	-	754.1	754.1	494.0



# NOTES TO THE FINANCIAL STATEMENTS

## 37 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

### 37.6 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:

in Singapore Dollars (millions)	Group			
	31 December 2015		31 December 2014	
	Carrying amount	Fair Value	Carrying amount	Fair Value
<b>Financial assets</b>				
<b>Available-for-sale financial assets</b>				
Unquoted equity securities	262.8	#	286.8	#
<b>Financial liabilities</b>				
Debt issued	399.5	422.0	399.4	425.3

#### # 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 period.

# NOTES TO THE FINANCIAL STATEMENTS

## 38 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:

in Singapore Dollars (millions)	31 December 2015		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
<b>Financial assets</b>			
Insurance receivables	122.0	(61.4)	60.6
Other debtors	1.0	(0.4)	0.6
Total	123.0	(61.8)	61.2
<b>Financial liabilities</b>			
Insurance payables	208.3	(101.6)	106.7
Total	208.3	(101.6)	106.7
31 December 2014			
in Singapore Dollars (millions)	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
<b>Financial assets</b>			
Insurance receivables	41.8	(6.6)	35.2
Other debtors	1.1	(0.5)	0.6
Total	42.9	(7.1)	35.8
<b>Financial liabilities</b>			
Insurance payables	140.5	(73.3)	67.2
Total	140.5	(73.3)	67.2

# NOTES TO THE FINANCIAL STATEMENTS

## 39 DIVIDENDS

in Singapore Dollars (millions)	Group and Company	
	2015	2014
Final one-tier tax exempt dividend for the previous year of 40 cents per ordinary share (2014: 40 cents per ordinary share)	189.3	189.3
Special one-tier tax exempt dividend for the previous year of 5 cents per ordinary share (2014: 5 cents per ordinary share)	23.7	23.7
Interim one-tier tax exempt dividend of 10 cents per ordinary share (2014: 10 cents per ordinary share)	47.3	47.3
	<b>260.3</b>	260.3

The Directors proposed a final one-tier tax exempt dividend of 40 cents per ordinary share and a special one-tier tax exempt dividend of 5 cents per ordinary share, totalling 45 cents per ordinary share amounting to \$213.0 million (2014: \$213.0 million) be paid in respect of the financial year ended 31 December 2015. 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.

## 40 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 15 February 2016, 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
<b>SINGAPORE PROPERTIES - 100% HELD BY THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED:</b>				
Great Eastern Centre 1 Pickering Street	99 years leasehold (Expiry date: 31 August 2096)	6,600	21,515 (strata area excluding voids)	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 and Lot 56 TS 28, Lincoln Road	Freehold   999 years leasehold (Expiry date: 12 February 2884)	2,809  6,945	28,819	Residential – 190-unit condominium
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
<b>MALAYSIA PROPERTIES – 100% HELD BY GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD:</b>				
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, K.Lumpur	Freehold	21,484	53,111	Residential – Condominiums
Shell Garden, Port Dickson Negeri Sembilan	Freehold	16,349	–	Residential land
Menara Weld / The Weld 76 Jln Raja Chulan, Kuala Lumpur	Freehold	6,404	75,126	Commercial – 30-storey building with a 4 levels basement, 5 levels of shopping & 26 floors of office.
<b>INDONESIA PROPERTIES – 100% HELD BY P.T. GREAT EASTERN LIFE INDONESIA:</b>				
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
<b>OCBC Group of Companies</b>		
- OCBC Ltd – Investment in Lion-OCBC Capital Asia Fund I	60.00	NA
- LGlobal Funds - Redemption of shares in LGlobal Funds – Asia Local Currency Bond	9.18	NA
- e2Power Pte. Ltd. - Data centre facilities, technical infrastructure services, database administration, network facilities and infrastructure support	2.11	NA
- e2Power Sdn Bhd - Data centre facilities, technical infrastructure services and network facilities	1.74	NA
- OCBC Al-Amin Bank Berhad - Payment of commission and management fee	0.45	NA
- OCBC Bank (Malaysia) Berhad - Payment of commission and management fee	0.28	NA
- OCBC Property Services Pte. Ltd. – Extension of current property management contract	0.19	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 2015, save as disclosed above, in the Directors' Statement and in the financial statements for FY2015.

# SHAREHOLDING STATISTICS

AS AT 29 FEBRUARY 2016

Total Number of Issued Shares	:	473,319,069 shares
Class of Shares	:	Ordinary shares
Voting Rights	:	The Constitution provides for: (a) on a show of hands: 1 vote (b) on a poll: 1 vote for each ordinary share held

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 - 99	43	2.40	993	0.00
100 – 1,000	804	44.97	647,354	0.14
1,001 – 10,000	684	38.26	2,616,678	0.55
10,001 – 1,000,000	247	13.81	19,705,055	4.16
1,000,001 and above	10	0.56	450,348,989	95.15
Total	1,788	100.00	473,319,069	100.00

## TWENTY LARGEST SHAREHOLDERS

	No. of Shares	%
1 Oversea-Chinese Bank Nominees Private Limited	414,628,759	87.60
2 HSBC (Singapore) Nominees Pte Ltd	10,582,175	2.24
3 DBS Nominees (Private) Limited	6,874,750	1.45
4 Citibank Nominees Singapore Pte Ltd	5,104,717	1.08
5 Wong Hong Sun	3,194,000	0.67
6 Kuchai Development Berhad	3,032,000	0.64
7 Wong Hong Yen	2,954,668	0.62
8 Sungei Bagan Rubber Company (Malaya) Berhad	1,733,120	0.37
9 Shaw Vee Meng	1,208,000	0.26
10 Shaw Vee Foong	1,036,800	0.22
11 United Overseas Bank Nominees (Private) Limited	880,068	0.19
12 Yeo Kok Seng	801,400	0.17
13 Lee Hak Heng	728,150	0.15
14 Raffles Nominees (Pte.) Limited	677,481	0.14
15 DBSN Services Pte. Ltd.	663,900	0.14
16 Eng Siu-Sien Lisa	522,546	0.11
17 Yeap Holdings (Pte.) Limited	487,238	0.10
18 The Estate of Alan Loke (Deceased)	455,094	0.10
19 The Bank of East Asia (Nominees) Private Limited	437,000	0.09
20 Mrs Svasti Nellie nee Wong Nellie or Svasti Daniel Y K P	415,880	0.09
Total	456,417,746	96.43

# SHAREHOLDING STATISTICS

AS AT 29 FEBRUARY 2016

## SUBSTANTIAL SHAREHOLDER

	<b>Direct Interest No. of Shares</b>	<b>Deemed Interest No. of Shares</b>	<b>Total No. of Shares</b>	<b>%</b>
Oversea-Chinese Banking Corporation Limited	414,613,759 <sup>(1)</sup>	–	414,613,759	87.60

Note:

<sup>(1)</sup> Shares registered in the name of Oversea-Chinese Bank Nominees Private Limited.

Based on information available to the Company as at 29 February 2016, approximately 12% of the issued ordinary shares of the Company are held by the public, and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

# FURTHER INFORMATION ON DIRECTORS

## KOH BENG SENG

### Current Directorships (and Appointments)

1. The Great Eastern Life Assurance Company Limited	Chairman
2. The Overseas Assurance Corporation Limited	Chairman
3. Bank of China (Hong Kong) Limited	Director
4. BOC Hong Kong (Holdings) Limited*	Director
5. Hon Sui Sen Endowment CLG Limited	Director
6. Singapore Technologies Engineering Ltd*	Director
7. United Engineers Limited*	Director
8. Octagon Advisors Pte. Ltd.	Chief Executive Officer

### Directorships (and Appointments) for the past 3 years

1. Fraser and Neave, Limited	Director
2. Sing-Han International Financial Services 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-appointment

16 April 2014

### Length of Service

8 years 2 months

### Independent Status

Independent director

## CHEONG CHOONG KONG

### Current Directorships (and Appointments)

1. OCBC Wing Hang Bank Ltd	Director
2. Oversea-Chinese Banking Corporation Limited*	Director
3. NCSS Volunteer Resource Committee	Member
4. Movement for the Intellectually Disabled of Singapore	Patron

### Directorships (and Appointments) for the past 3 years

1. The Overseas Assurance Corporation Limited	Director
2. OCBC Management Services Private Limited	Director

### Academic and Professional Qualifications

Bachelor of Science (First Class Honours in Mathematics) and (Honorary) Doctor of the University from University of Adelaide  
Master of Science and Ph.D. in Mathematics and (Honorary) Doctor of Science, Australian National University, Canberra

### Board Committees Served On

Chairman, Nominating Committee  
Member, Executive Committee

### Date of First Appointment

Director since 7 January 2005

### Date of Last Re-appointment

15 April 2015

### Length of Service

11 years 2 months

### Independent Status

Non-executive and non-independent director

\* Listed company



# FURTHER INFORMATION ON DIRECTORS

## NORMAN IP

### Current Directorships (and Appointments)

1. Far Island Bay Sdn Bhd	Chairman
2. Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3. Great Eastern Life Assurance (Malaysia) Bhd	Chairman
4. I Great Capital Holdings Sdn Bhd	Chairman
5. Overseas Assurance Corporation (Holdings) Bhd	Chairman
6. Overseas Assurance Corporation (Malaysia) Bhd	Chairman
7. WBL Corporation Limited	Chairman
8. AIMS AMP Capital Industrial REIT Management Limited*	Director
9. Great Eastern Takaful Bhd	Director
10. Lion Global Investors Limited	Director
11. The Great Eastern Life Assurance Company Limited	Director
12. The Overseas Assurance Corporation Limited	Director
13. United Engineers Limited*	Group Managing Director
14. Building and Construction Authority	Member
15. Securities Industry Council	Member

### Directorships (and Appointments) for the past 3 years

1. Malaysia Smelting Corporation Berhad	Chairman
2. UE E&C Ltd	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

Chairman, Remuneration Committee  
 Member, Executive Committee  
 Member, Nominating Committee

### Date of First Appointment

Director since 5 March 2010

### Date of Last Re-appointment

15 April 2015

### Length of Service

6 years

### Independent Status

Independent director

\* Listed company

## LAW SONG KENG

### Current Directorships (and Appointments)

1. Asia Capital Reinsurance Group Pte Ltd	Chairman
2. Concord Insurance Company Limited	Chairman
3. Frasers Hospitality Asset Management Pte Ltd	Chairman
4. Frasers Hospitality Trust Management Pte Ltd	Chairman
5. ACR Capital Holdings Pte Ltd	Director
6. ECICS Limited	Director
7. IFS Capital Limited*	Director

### Directorships (and Appointments) for the past 3 years

–

### 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

Director since 1 January 2013

### Date of Last Re-appointment

15 April 2015

### Length of Service

3 years 2 months

### Independent Status

Independent director

# FURTHER INFORMATION ON DIRECTORS

## LEE CHIEN SHIH

### Current Directorships (and Appointments)

1. Bukit Sembawang Estates Limited Group Companies*	Director
2. Lee Latex (Pte) Limited	Director
3. Lee Rubber Company (Pte) Limited	Director
4. Lee Foundation, Singapore	Director
5. Lee Foundation, States of Malaya	Director
6. Selat (Pte) Limited	Alternate Director
7. Singapore Investments (Pte) Limited	Alternate Director

### Directorships (and Appointments) for the past 3 years

1. The Overseas Assurance Corporation Limited	Director
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### Academic and Professional Qualifications

MBBS, National University of Singapore

### Board Committees Served On

Member, Nominating Committee  
Member, Remuneration Committee

### Date of First Appointment

Director since 7 July 2005

### Date of Last Re-appointment

17 April 2013

### Length of Service

10 years 8 months

### Independent Status

Non-executive and non-independent director

## KYLE LEE KHAI FATT

### Current Directorships (and Appointments)

1. MFS Technology Ltd*	Chairman
2. CapitaLand Mall Trust Management 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
6. National Art Gallery	
• Audit Committee	Member

### Directorships (and Appointments) for the past 3 years

1. Jurong International Holdings Pte. Ltd.	Director
2. WBL Corporation Limited	Director

### Academic and Professional Qualifications

Bachelor of Arts (Honours) 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

### Board Committees Served On

Chairman, Audit Committee  
Member, Nominating Committee

### Date of First Appointment

Director since 1 July 2014

### Date of Last Re-appointment

15 April 2015

### Length of Service

1 year 8 months

### Independent Status

Independent director

\* Listed company

# FURTHER INFORMATION ON DIRECTORS

## SOON TIT KOON

### Current Directorships (and Appointments)

1. AVIC Trust Co., Ltd	Director
2. Bank of Ningbo Co., Ltd	Director
3. SPH REIT Management Pte Ltd	Director
4. Wah Hin & Company Private Limited	Director

### Directorships (and Appointments) for the past 3 years

1. WBL Corporation Limited	Director
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### 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

Director since 1 January 2016

### Date of Last Re-appointment

-

### Length of Service

2 months

### Independent Status

Independent director

## TAN YAM PIN

### Current Directorships (and Appointments)

1. General Storage Company Pte. Ltd.	Director
2. Keppel Land Limited*	Director
3. Lee Kuan Yew Scholarship Fund	Director
4. Singapore Post Limited*	Director
5. Singapore Public Service Commission	Member / Deputy Chairman

### Directorships (and Appointments) for the past 3 years

1. Blue Scope Steel Limited (Australia)	Director
2. The Great Eastern Life Assurance Company Limited	Director
3. The Overseas Assurance Corporation Limited	Director
4. Leighton Asia Limited (Hong Kong)	Advisory Board Member

### Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Singapore

Master of Business Administration, University of British Columbia, Canada

Fellow of the Canadian Institute of Chartered Accountants, Canada

### Board Committees Served On

Member, Audit Committee

Member, Risk Management Committee

### Date of First Appointment

Director since 7 January 2005

### Date of Last Re-appointment

15 April 2015

### Length of Service

11 years 2 months

### Independent Status

Non-executive and non-independent director

\* Listed company

# FURTHER INFORMATION ON DIRECTORS

## SAMUEL N. TSIEN

### Current Directorships (and Appointments)

1. Oversea-Chinese Banking Corporation Limited*	Director and Chief Executive Officer
2. PT Bank OCBC NISP Tbk*	Commissioner
3. OCBC Bank (China) Ltd	Chairman
4. Asean Finance Corporation Limited	Director
• Executive Committee	Member
5. Bank of Singapore Limited	Director
6. Dr Goh Keng Swee Scholarship Fund	Director
7. Institute of Banking and Finance	Director
8. Mapletree Investments Pte Ltd	Director
9. OCBC Al-Amin Bank Berhad	Director
10. OCBC Bank (Malaysia) Berhad	Director
11. OCBC Overseas Investments Pte Ltd	Director
12. OCBC Wing Hang Bank Ltd	Director
13. Advisory Board of the Asian Financial Leaders Programme	Member
14. Advisory Council on Community Relations in Defence (Employer & Business)	Member
15. Asian Pacific Bankers Club	Member
16. Association of Banks in Singapore	Council Member
17. Financial Sector Tripartite Committee	Member
18. Malaysia-Singapore Business Council	Member
19. MAS Financial Sector Development Fund	
• Advisory Committee	Member
20. MAS Financial Centre Advisory Panel	Member
21. Singapore Business Federation	
• Finance and Investment Committee	Council Member
22. The f-Next Council of Institute of Banking & Finance	Member

### Directorships (and Appointments) for the past 3 years

1. Mapletree Commercial Trust Management Ltd	Director
2. SIB Capital Ltd	Director
3. The Overseas Assurance Corporation Limited	Director
4. OCBC Pearl Limited (formerly known as KTB Ltd)	Director
5. ABS Benchmarks Administration Co. Pte. Ltd.	
• Oversight Committee	Member

### Academic and Professional Qualifications

Bachelor of Arts with Honours in Economics, University of California, Los Angeles, USA

### Board Committee Served On

Member, Risk Management Committee

### Date of First Appointment

Director since 15 April 2012

### Date of Last Re-appointment

15 April 2015

### Length of Service

3 years 11 months

### Independent Status

Non-executive and non-independent director

\* Listed company

## WEE JOO YEOW

### Current Directorships (and Appointments)

1. Frasers Centrepoint Ltd*	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 Pte Ltd	Director
7. WTT Investments Pte Ltd	Director

### Directorships (and Appointments) for the past 3 years

1. Orix Leasing Singapore Limited	Director
2. Singapore-Bintan Resort Holdings Pte Ltd	Director

### 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, Remuneration Committee

### Date of First Appointment

Director since 1 January 2016

### Date of Last Re-appointment

–

### Length of Service

2 months

### Independent Status

Non-executive and non-independent director

# MANAGEMENT TEAM

## GROUP

### Great Eastern Holdings Limited

**Khor Hock Seng**

Group Chief Executive Officer

**Tony Cheong**

Group Chief Financial Officer

**Andrew Lee**

Group Chief Marketing &  
Distribution Officer

**Khoo Kah Siang (Dr)**

Chief Executive Officer (Singapore)

**Dato Koh Yaw Hui**

Chief Executive Officer (Malaysia)

**Yoon Mun Thim**

Group Chief Investment Officer

**Ho Ming Heng**

Managing Director, Group Operations

**Ng Yoh Thai**

Managing Director, Group Information  
Technology

**Chin Wee Cheak**

Head, Group Audit

**Jennifer Wong Pakshong**

Group Company Secretary and General  
Counsel

**Ronnie Tan**

Group Chief Risk Officer

**James Lee**

Managing Director, Group Human Capital

## SINGAPORE

### The Great Eastern Life Assurance Company Limited

### The Overseas Assurance Corporation Limited

**Khoo Kah Siang (Dr)**

Chief Executive Officer

**Koo Chung Chang**

Chief Financial Officer

**Ben Tan**

Chief Distribution Officer

**Colin Chan**

Chief Marketing Officer

**Jesslyn Tan**

Chief Executive Officer,  
Great Eastern Financial Advisers

**Lee Swee Kiang**

Chief Product Officer

**Patrick Kok**

Chief Operations Officer

**Cheung Kwok Kei**

Appointed Actuary & Head of Actuarial

**Leow Yung Khee (Dr)**

Head, Group Insurance and Claims

**Andrew Lim**

Head, General Insurance

**Jerry Ng**

Head, Life Bancassurance

**Hong Siu Ming**

Head, Business Partner,  
Group Human Capital

**Tan Seck Geok**

Head, Corporate Communications

**Joys Wiraatmadja**

Chief Internal Auditor

**Wendy Anne Teo**

Deputy General Counsel

## MALAYSIA

### Great Eastern Life Assurance (Malaysia) Berhad

**Dato Koh Yaw Hui**

Director & Chief Executive Officer

**Raymond Ong Eng Siew**

Chief Financial Officer

**Richard Lin Kwok Wing**

Chief Investment Officer

**Song Hock Wan**

Chief Distribution Officer

**Nicholas Kua Choo Ming**

Chief Marketing Officer

**Jeffrey Yem Voon Cheat**

Chief Operations Officer

**Cheong Soo Ching**

Chief Risk Officer

**Loke Chang Yueh**

Appointed Actuary

**Chan Chee Wei**

Head, Bancassurance

**Vincent Chin Kok Lean**

Head, Information Technology

**Dennis Tan Koh Tiong**

Head, Human Capital

**Audra Chung Kit Li**

Chief Internal Auditor

**Puan Liza Hanim Binti Zainal Abidin**

Company Secretary, Secretariat & Legal

# MANAGEMENT TEAM

## Overseas Assurance Corporation (Malaysia) Berhad

### Ng Kok Kheng

Chief Executive Officer

### Lee Pooi Hor

Chief Operations Officer

### Chong Kah Lay

Head, General Operations &  
Underwriting

### Goh Ching On

Head, Claims

### Khoo Sook Hooi

Head, Finance & Administration

## Great Eastern Takaful Berhad

### Zafri Ab Halim

Chief Executive Officer

### Allen Tan Chee Keong

Head, Operations

### Norizan Yahya

Head, Agency Distribution

### Mohd Hanafi Mohd Isa

Head, Partnership Distribution

### Tengku Sheila Tengku Azib

Head, Brand & Marketing  
Communications

### Razali Kipli

Head, Human Capital

### Jasveen Kaur Marne

Appointed Actuary

### Wan Ahmad Najib Wan Ahmad Lotfi

Head, Strategic Management & Shariah

### Rasman Abdul Ghani

Head, Finance & Admin

## INDONESIA

### PT Great Eastern Life Indonesia

### Clement Lien

President Director & CEO

### Fauzi Arfan

Chief Financial Officer

### Eddy Wirya Wiyana

Head, Bancassurance

### Andrew Ng

Head, IT & Operations

### Yungki Aldrin

Head, Human Capital & Facility Service

### Rachman Untung Budiman

Head, Investment Management

### Silvanty Nova

Head, Legal & Corporate Secretariat

### Reinhard Saut M.T. Siahaan

Head, Risk Management & Compliance

### Mara Umar

Head, Product

## VIETNAM

### Great Eastern Life (Vietnam) Co., Ltd.

### Michael Tan Chin Chai

Chief Executive Officer

### Ong Khai Sheong

Chief Operations Officer

### Lee Kok San

Appointed Actuary & Acting Finance  
Director

### Phan Nguyen Diep Lan

Head, Legal, Risk Management &  
Compliance

### Le An Binh

Head, Human Capital

## BRUNEI

### The Great Eastern Life Assurance Company Limited

### Caroline Sim

Head

## CHINA

### The Great Eastern Life Assurance Company Limited Beijing Representative Office

### Ji Chunyan

Chief Representative

## MYANMAR

### The Great Eastern Life Assurance Co., Ltd.

### Myanmar Representative Office

### Andrew Lee

Chief Representative

# GROUP NETWORK

## SINGAPORE

### **Great Eastern Holdings Limited The Great Eastern Life Assurance Company Limited**

### **The Overseas Assurance Corporation Limited**

1 Pickering Street #13-01  
Great Eastern Centre  
Singapore 048659  
Tel: +65 6248 2000  
Fax: +65 6532 2214  
Website: www.greasternlife.com  
E-mail: wecare-sg@greasternlife.com

### **Service Centres for Distribution Representatives**

Great Eastern @ Changi  
200 Changi Road #01-02  
Singapore 419734

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 #13-01  
Great Eastern Centre  
Singapore 048659  
Tel: +65 6248 2121  
Fax: +65 6327 3073  
Website: www.greasternfa.com.sg  
E-mail: contact\_us@greasternfa.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.greasternlife.com  
E-mail: wecare-my@greasternlife.com

### **Branch Offices**

#### **Alor Setar**

66 & 68 Jalan Teluk Wanjah  
05200 Alor Setar, Kedah  
Malaysia  
Fax: +604 731 9878

#### **Batu Pahat**

109, Jalan Rahmat  
83000 Batu Pahat, Johor  
Malaysia  
Fax: +607 432 5560

#### **Bintulu**

No. 313, Lot 3956, Phase 4  
Bintulu Parkcity Commercial Square  
Jalan Tun Ahmad Zaidi/Jalan Tanjung  
Batu  
97000 Bintulu, Sarawak  
Malaysia  
Fax: +6086 332 601

#### **Ipoh**

Wisma Great Eastern  
No 16, Persiaran Tugu  
Greentown Avenue  
30450 Ipoh, Perak  
Malaysia  
Fax: +605 255 5578

#### **Johor Bahru**

10th Floor, Menara Pelangi  
Jalan Kuning, Taman Pelangi  
80400 Johor Bahru, Johor  
Malaysia  
Fax: +607 334 9122

#### **Klang**

No. 8 & 10 Jalan Tiara 2A  
Bandar Baru Klang  
41150 Klang, Selangor  
Malaysia  
Fax: +603 3341 3398

#### **Kluang**

No. 22 & 24  
Jalan Md Lazim Saim  
86000 Kluang, Johor  
Malaysia  
Fax: +607 772 3449

#### **Kota Bharu**

No. S25 / 5252 – T&U  
Jalan Sultan Yahya Petra  
15200 Kota Bharu, Kelantan  
Malaysia  
Fax: +609 744 9701

#### **Kota Kinabalu**

Wisma Great Eastern  
Level 4 & 5  
No. 65 Jalan Gaya  
88000 Kota Kinabalu, Sabah  
Malaysia  
Fax: +6088 210 437

#### **Kuala Terengganu**

2nd Floor, 6F  
Bangunan Persatuan Hin Ann  
Jalan Air Jernih  
20300 Kuala Terengganu, Terengganu  
Malaysia  
Fax: +609 626 5195

#### **Kuantan**

A25, Jalan Dato Lim Hoe Lek  
25200 Kuantan, Pahang  
Malaysia  
Fax: +609 515 8477

#### **Kuching**

House No. 51, Lot 435, Section 54  
KTL D, Trivilion Commercial Centre  
Jalan Padungan  
93100 Kuching, Sarawak  
Malaysia  
Fax: +6082 426 684

# GROUP NETWORK

## **Lahad Datu**

Ground & 1st Floor  
MDLD 3804, Lot 66  
Fajar Centre, Jalan Segama  
91100 Lahad Datu, Sabah  
Malaysia  
Fax: +6089 884 226

## **Melaka**

No.23 Jalan PM 15  
Plaza Mahkota  
75000 Melaka  
Malaysia  
Fax: +606 283 4579

## **Miri**

Lots 1260 & 1261, Block 10  
M.C.L.D, Jalan Melayu  
98000 Miri, Sarawak  
Malaysia  
Fax: +6085 417 518

## **Penang**

25, Light Street  
10200 Penang  
Malaysia  
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  
Fax: +6089 271 343

## **Seremban**

101 & 103 Jalan Yam Tuan  
70000 Seremban  
Negeri Sembilan  
Malaysia  
Fax: +606 763 1480

## **Sibu**

No. 10 A-F, Wisma Great Eastern  
Persiaran Brooke  
96000 Sibu, Sarawak  
Malaysia  
Fax: +6084 333 925

## **Taipung**

133A Jalan Barrack  
34000 Taiping, Perak  
Malaysia  
Fax: +605 805 1023

## **Tawau**

Ground Floor, Wisma Great Eastern  
Jalan Billian  
91000 Tawau, Sabah  
Malaysia  
Fax: +6089 762 341

## **Overseas Assurance Corporation (Malaysia) Berhad**

Level 18, Menara Great Eastern  
303 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel: +603 4259 7888  
Fax: +603 4813 2737  
Website: [www.oac.com.my](http://www.oac.com.my)  
E-mail: [enquiry@oac.com.my](mailto:enquiry@oac.com.my)

## **Branch Offices**

### **Kuala Lumpur**

Level 18, Menara Great Eastern  
303 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel: +603 4259 7888  
Fax: +603 4231 7222

17-21, Jalan Medan Tuanku Satu  
Medan Tuanku  
50300 Kuala Lumpur  
Tel: +603 2786 1000  
Fax: +603 2713 6001

### **Alor Setar**

Level 1, 69 & 70  
Jalan Teluk Wanjah  
05200 Alor Setar, Kedah  
Malaysia  
Tel: +604 734 6515  
Fax: +604 734 6516

## **Ipoh**

Level 2, Wisma Great Eastern  
No.16, Persiaran Tugu  
Greentown Avenue  
30450 Ipoh, Perak  
Malaysia  
Tel: +605 253 6649  
Fax: +605 255 3066

## **Johor Bahru**

Suite 13A-1, Level 13A  
Menara Pelangi  
Jalan Kuning, Taman Pelangi  
80400 Johor Bahru, Johor  
Malaysia  
Tel: +607 334 8988  
Fax: +607 334 8977

## **Klang**

3rd Floor, No. 10 Jalan Tiara 2A  
Bandar Baru Klang  
41150 Klang, Selangor  
Malaysia  
Tel: +603 3345 1027  
Fax: +603 3345 1029

## **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

## **Kota Kinabalu**

Suite 6.3, Level 6  
Wisma Great Eastern Life  
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



# GROUP NETWORK

## **Kuching**

No. 51, Level 3, Wisma Great Eastern  
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  
Wisma Great Eastern  
25 Lebu Light  
10200 Pulau 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**

Level 2, No. 10 A-F  
Wisma Great Eastern  
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.greateastertakaful.com](http://www.greateastertakaful.com)  
Email: [i-greatcare@greateastertakaful.com](mailto:i-greatcare@greateastertakaful.com)

## **Agency Synergy Stations**

### **Alor Star**

No. 18-D1 & D2,  
Lebuhraya Darulaman,  
05100 Alor Star, Kedah  
Tel: +604 730 2290

### **Butterworth**

Tingkat 2, No.15 Jalan Selat,  
Taman Selat,  
12000 Butterworth Penang  
Tel: +604 323 3529

### **Kota Bharu**

Lot 360 tingkat 1,  
Jalan Seri Cemerlang,  
Seksyen 27,  
15300 Kota Bharu Kelantan  
Tel: +609 741 7077

## **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 3888  
Fax: +6221 5794 4719  
Website: [www.greateasternlife.com](http://www.greateasternlife.com)  
Email: [wecare-ID@greateasternlife.com](mailto:wecare-ID@greateasternlife.com)

## **VIETNAM**

### **Great Eastern Life (Vietnam) Co Ltd**

HD Tower, Level 8  
25 Bis Nguyen Thi Minh Khai Street  
District 1, Ho Chi Minh City  
Vietnam  
Tel: +848 6288 6338  
Fax: +848 6288 6339  
Website: [www.greateasternlife.com](http://www.greateasternlife.com)  
E-mail: [wecare-vn@greateasternlife.com](mailto:wecare-vn@greateasternlife.com)

### **Hanoi Branch**

Viet Tower, Level 11  
1 Thai Ha Street,  
Dong Da District, Hanoi  
Vietnam  
Tel: +844 3938 6767  
Fax: +844 3936 3902

## **Sales Office**

Ho Chi Minh City  
Tan Da Court, Level 1  
86 Tan Da, District 5  
Ho Chi Minh City  
Vietnam  
Tel: +848 6256 3688  
Fax: +848 6256 3689

## **CHINA**

### **The Great Eastern Life Assurance Company Limited**

#### **Beijing Representative Office**

No. 26 North Yue Tan Street  
Heng Hua International Business Centre  
710A Beijing Xi Cheng District  
Beijing 100045  
People's Republic of China  
Tel: +8610 5856 5501  
Fax: +8610 5856 5502

## **BRUNEI**

### **Great Eastern Life Assurance Co Ltd**

Unit 17/18, Block B  
Bangunan Habza  
Spq 150, Kpg. Kiarong  
Bandar Seri Begawan BE1318  
Negara Brunei Darussalam  
Tel: +6732 23 3118  
Fax: +6732 23 8118  
Website: [www.greateasternlife.com](http://www.greateasternlife.com)  
E-mail: [wecare-bn@greateasternlife.com](mailto:wecare-bn@greateasternlife.com)

## **MYANMAR**

### **The Great Eastern Life Assurance Co., Ltd.**

#### **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 Seventeenth 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 Tuesday, 19 April 2016 at 3.00 pm 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 2015 and the Auditor’s Report thereon.
- 2 To approve a final one-tier tax exempt dividend of 40 cents per ordinary share and a special one-tier tax exempt dividend of 5 cents per ordinary share in respect of the financial year ended 31 December 2015.
- 3 (a) To re-appoint the following Directors retiring under the respective resolutions passed at the Annual General Meeting of the Company held on 15 April 2015 pursuant to Section 153(6) of the Companies Act, Chapter 50 (which was then in force), to hold office from the date of this Annual General Meeting:
  - (i) Mr Law Song Keng
  - (ii) Mr Tan Yam Pin
- (b) To re-elect the following Director retiring by rotation under Article 91 of the Company’s Constitution and, who being eligible, offers himself for re-election:
  - (i) Mr Koh Beng Seng
- (c) To re-elect the following Directors retiring under Article 97 of the Company’s Constitution and, who being eligible, offer themselves for re-election:
  - (i) Mr Soon Tit Koon
  - (ii) Mr Wee Joo Yeow
- 4 (a) To approve Directors’ fees of S\$1,930,000 for the financial year ended 31 December 2015 (2014: S\$1,821,000).
- (b) To approve a Special Director’s fee of S\$1,360,000 to Mr Norman Ip for the financial year ended 31 December 2015 (2014: S\$820,000).
- 5 To re-appoint Messrs Ernst & Young LLP as Auditor and authorise the Directors to fix its remuneration.

# NOTICE OF ANNUAL GENERAL MEETING

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions, of which Resolutions 6 and 7 will be proposed as Ordinary Resolutions and Resolution 8 will be proposed as a Special Resolution:

## 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 of the Company excluding treasury shares (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 of the Company excluding treasury shares shall be based on the total number of issued shares of the Company excluding treasury shares 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;
- (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.

# NOTICE OF ANNUAL GENERAL MEETING

## SPECIAL RESOLUTION

- 8 That the regulations contained in the new Constitution submitted to this Meeting and, for the purpose of identification, subscribed to by the Chairman thereof, be approved and adopted as the new Constitution of the Company in substitution for, and to the exclusion of, the existing Constitution.

By Order of the Board

## JENNIFER WONG PAKSHONG

Company Secretary

Singapore  
28 March 2016

## EXPLANATORY NOTES

### Resolutions 3(a) to 3(c)

Resolutions 3(a)(i) and (ii) are to re-appoint Directors who are above 70 years old and who are retiring under the respective resolutions passed at the Annual General Meeting held on 15 April 2015 as pursuant to Section 153(6) of the Companies Act, Chapter 50 (the “Companies Act”) (which was then in force), such resolutions could only permit the re-appointment of the Directors to hold office until this Meeting. If passed, Resolutions 3(a)(i) and (ii) will approve and authorise the continuation of the Directors in office from the date of this Meeting onwards without limitation in tenure, save for prevailing applicable laws, listing rules and/or regulations, including the Company’s Constitution. Resolution 3(b)(i) is to re-elect a Director who is retiring by rotation under Article 91 of the Company’s Constitution. Resolutions 3(c)(i) and (ii) are to re-elect Directors who are retiring under Article 97 of the Company’s Constitution. There are no relationships (including immediate family relationships) between any of these Directors and the other Directors of the Company.

Please refer to the “Board Composition and Independence” section in the Corporate Governance Report and the “Further Information on Directors” section on pages 44 and 188 respectively in the Annual Report 2015 for more information on these Directors (including information, if any, on the relationships between these Directors and the Company or its 10% shareholders).

### Resolution 4(b)

Resolution 4(b) is to authorise the payment of S\$1,360,000 as a Special Director’s fee to Mr Norman Ip who continued to serve as Acting Group CEO for ten months in FY2015 from 1 January 2015 to 1 November 2015 until Mr Khor Hock Seng was appointed as Group CEO on 2 November 2015.

# NOTICE OF ANNUAL GENERAL MEETING

## 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. 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 shall be based on the total number of issued shares of the Company excluding treasury shares 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 under this Resolution if they consider it necessary and in the interests of the Company.

## 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.

## Resolution 8

Resolution 8 is to adopt a new Constitution following the wide-ranging changes to the Companies Act introduced pursuant to the Companies (Amendment) Act 2014 (the "Amendment Act"). The new Constitution will consist of the memorandum and articles of association of the Company which were in force immediately before 3 January 2016, and incorporate amendments to (*inter alia*) take into account the changes to the Companies Act introduced pursuant to the Amendment Act. Resolution 8 will be proposed as a Special Resolution. Please refer to the Letter to Shareholders dated 28 March 2016 for more details.

## Notes:

- (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 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 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.

- A proxy need not be a member of the Company.
- 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 #13-01, Great Eastern Centre, Singapore 048659, not less than 48 hours before the time set for holding the 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 DIVIDENDS

Subject to the approval of the shareholders to the final and special one-tier tax exempt dividends at the Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 26 April 2016 for the purpose of determining the entitlement of shareholders to the recommended final one-tier tax exempt dividend of 40 cents per ordinary share and special one-tier tax exempt dividend of 5 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 pm on 25 April 2016 will be registered to determine shareholders' entitlements to the proposed dividends. Subject to the aforesaid, Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 pm on 25 April 2016 will be entitled to the proposed dividends.

The final and special one-tier tax exempt dividends, if approved by shareholders, will be paid on 9 May 2016.

## NON-CUMULATIVE NON-CONVERTIBLE CLASS A AND CLASS B PREFERENCE SHARES

The voting rights of the Class A and Class B Preference Shares are set out in the Constitution of the Company. No Class A or Class B Preference Shares are currently in issue.

**IMPORTANT:**

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.
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.
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 28 March 2016.

# 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)

--	--	--	--	--

as my/our proxy/proxies to attend, speak and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 1 Pickering Street #02-02, Great Eastern Centre, Singapore 048659 on Tuesday, 19 April 2016 at 3.00 pm and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below (of which Resolution Nos. 1 to 7 will be proposed as Ordinary Resolutions and Resolution No. 8 will be proposed as a Special Resolution) 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.	Resolutions Relating to:	For	Against
<b>ORDINARY BUSINESS</b>			
1	Adoption of Directors' Statement, 2015 audited Financial Statements and Auditor's Report		
2	Approval of a final one-tier tax exempt dividend of 40 cents per ordinary share and a special one-tier tax exempt dividend of 5 cents per ordinary share		
3(a)(i)	Re-appointment of Mr Law Song Keng		
3(a)(ii)	Re-appointment of Mr Tan Yam Pin		
3(b)(i)	Re-election of Mr Koh Beng Seng		
3(c)(i)	Re-election of Mr Soon Tit Koon		
3(c)(ii)	Re-election of Mr Wee Joo Yeow		
4(a)	Approval of Directors' fees of S\$1,930,000 in respect of financial year 2015		
4(b)	Approval of a Special Director's fee of S\$1,360,000 to Mr Norman Ip in respect of financial year 2015		
5	Re-appointment of Messrs Ernst & Young LLP as Auditor and to authorise Directors to fix its remuneration		
<b>SPECIAL BUSINESS</b>			
6	Authority for Directors to allot and issue shares		
7	Authority for Directors to allot and issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme		
8	Approval of adoption of new Constitution of the Company		

Note: Voting will be conducted by poll.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

**Total Number of Shares held**

\_\_\_\_\_  
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 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 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 #13-01, Great Eastern Centre, Singapore 048659, not less than 48 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 and voting at the 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 2015**

**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 #13-01  
Great Eastern Centre  
Singapore 048659

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