ntuc income

2013

Consolidated Financial Statements

Content

Directors' Report

For the financial year ended 31 December 2013

NTUC Income was established in 1970 to provide affordable insurance for workers in Singapore.

Today, NTUC Income is a high performing organisation with a well balanced portfolio of products that maximises value for customers, excellent customer services, an effective multi-channel distribution and a well respected brand.

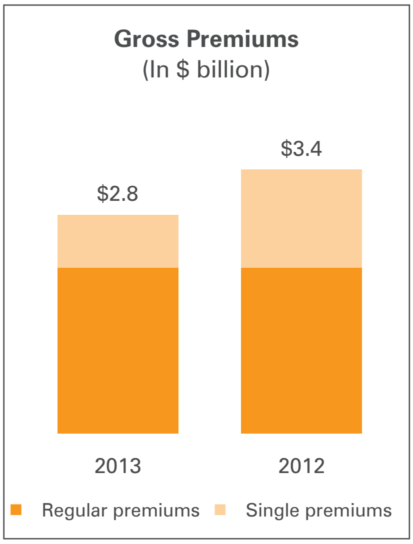
People in Singapore look to NTUC Income for trusted advice and solutions when making their most important financial decisions. Through our wide network of advisers and partners, we provide life, health and general insurance products and services to serve the protection, savings and investments needs of over two million people across all segments of society.

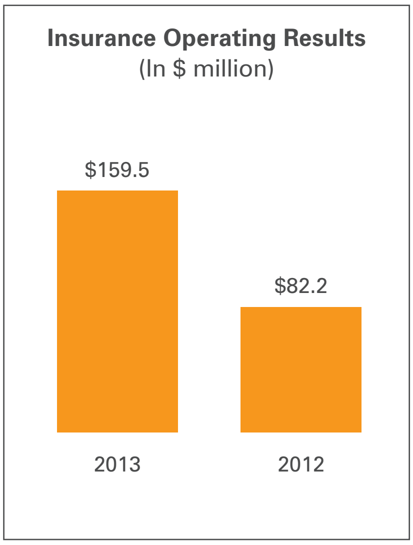
2013 PERFORMANCE HIGHLIGHTS

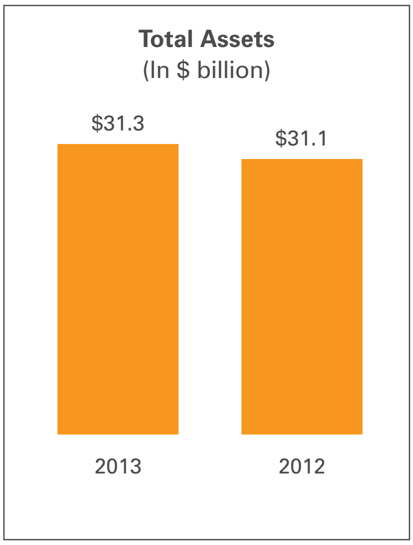
In 2013, the life insurance industry took in $2.8 billion in weighted new business premiums, growing by 28.2% year on year and significantly outpacing the Singapore economy which grew by 4.2%.

Against this backdrop, NTUC Income posted strong results in 2013 and maintained its position as one of Singapore's leading insurers. Here are some of NTUC Income's performance highlights:

- We achieved gross premiums of $2.8 billion. This includes life new business annual premium of $204.5 million, up 18.7% from 2012 and the highest in NTUC Income's history.
- Insurance operating results amounted to $159.5 million.
- At the end of 2013, our assets reached a record $31.3 billion. We expanded our prime property investment footprint with the full ownership of Income At Raffles, formerly 16 Collyer Quay.







LIFE INSURANCE

In 2013, NTUC Income collected $2.5 billion in gross life insurance premiums[1]. This comprised $640.1 million in single premiums and $1.9 billion in annual premiums.

We recorded $307.3 million in weighted life insurance new premiums[2], 3.0% higher year on year. The growth was due largely to higher sales of annual premium products.

[1] Includes life and health insurance
[2] As reported by Life Insurance Association Singapore; includes life and health insurance, excludes annuities

Directors' Report

For the financial year ended 31 December 2013

The total investment return on our Life Insurance Participating Fund was 1.54%. The Board accepted the Appointed Actuary's recommendation to pay out a total bonus amounting to $412.0 million. This payout is in line with the assurance given to policyholders that bonus payouts will be fair and consistent with the performance of the Life Fund.

The group and health businesses took in gross premiums of $616.1 million, up 19.1% from 2012, driven mainly by the Ministry of Health's Medishield revision in March 2013. The revision brings enhanced benefits to our 750,000 IncomeShield customers.

GENERAL INSURANCE

NTUC Income took in $305.4 million in gross premiums for general insurance, declining by 0.6% from 2012. Gross premiums were impacted by the new regulations imposed by the government to curb vehicle growth in Singapore. Overall, the general insurance business registered an underwriting profit of $26.8 million in 2013, a significant increase from $22.7 million in 2012.

By premiums, our total market share in general insurance was 9.4% in 2013, including 19.6% for the motor insurance business.

We continued to be the top motor insurer in Singapore, covering one in four vehicles here. For the fifth consecutive year, NTUC Income was able to achieve positive underwriting results in motor insurance in 2013.

To thank customers for their support, NTUC Income will give a $30 rebate to about 130,000 car owners and a $15 rebate to some 70,000 motorcycle owners when they renew their policies in 2014. These rebates will amount to about $5.0 million for the year, bringing the total amount of motor rebates over the last three years to $11.1 million. Additionally, NTUC Income continues to invest about $4 million yearly in Orange Force, our accident response team who provide assistance to customers at the scene of a road accident.

HIGHLY EFFECTIVE MULTI-CHANNEL DISTRIBUTION

Our highly effective multi-channel distribution recorded strong growth.

In life new business annual premium, client advisers increased their sales by 65.1% year on year to attain $34.5 million. Our client advisers, based in five client advisory centres, made up the fastest growing channel in 2013.

In the same area, Bancassurance grew 33.6% to reach sales of $35.4 million.

NTUC Income's tied agents continued to be our top distribution channel, accounting for 55.3% of all life new business annual premium sales in 2013. For the channel, this also represented 33.0% year on year growth.

SHAREHOLDERS

The Directors propose a total dividend of 6.0% for the financial year ended 31 December 2013.

OUR FINANCIAL STRENGTH AND CORPORATE GOVERNANCE

Standard & Poor's financial strength rating of NTUC Income is AA-, supported by Standard & Poor's analysis that we have a very strong business network, a good investment portfolio with strong liquidity and satisfactory operating performance.

In 2013, we continued to maintain a healthy capital adequacy ratio of 250%.

NTUC Income continually reviews its processes and aligns its resources to optimise our operational effectiveness.

We embrace and practise the highest standards of corporate governance, transparency and disclosure, while expanding and deepening our capabilities towards becoming a higher performing organisation.

Directors' Report

For the financial year ended 31 December 2013

FULFILLING OUR SOCIAL PURPOSE

As a social enterprise, NTUC Income is committed to making insurance affordable and accessible to people in Singapore and putting the interests of customers first.

Our portfolio of products across life, health and general insurance continues to provide the best value to customers.

One of our key priorities is making low cost insurance available. We have a range of differentiated products designed to fulfil our social purpose. In August 2013, NTUC Income launched SpecialCare (Autism), the first insurance plan for children and youth with autism, a segment previously denied insurance. Over 350 children with autism are now insured with us.

SilverCare, our insurance plan for living and ageing well, continues to gain traction. Close to 4,000 elderly customers are now insured with SilverCare.

We contributed $2.1 million to the Labour Movement, including $500,000 to the NTUC U Care Fund that provides assistance to low-income members and their families.

OrangeAid, our corporate social responsibility programme, had a positive, direct impact on the lives of over 2,600 children belonging to the nine beneficiaries we support. Together, we dedicated about 2,500 hours to staff volunteerism, including our collective efforts in our "Give a Terrarium" campaign.

Also as part of our corporate social responsibility, NTUC Income is taking action to minimise the impact of its business activities on the environment, while creating opportunities for employees and partners to create a greener future. From our introduction of electronic statements to our investments in green buildings, we are working to reduce greenhouse gas emissions and help drive environmental sustainability.

One of our most significant initiatives that promote the protection of the environment is the annual NTUC Income RUN 350, widely recognised as Southeast Asia's premier eco-run. Over 12,000 people participated in the run last year.

CONCLUSION

The Directors would like to express their deepest appreciation to NTUC, the unions and affiliates as well as NTUC Income's partners, customers, management and staff for contributing to what has been a very strong year for NTUC Income.

It is their commitment to supporting our customers and the community, along with a portfolio of distinctive value, which allows us to be confident about sustaining our efforts to make a bigger difference in the lives of those we serve.

For and on behalf of the Board of Directors

Stephen Lee
Chairman

Singapore, 21 March 2014

Board of Directors

STEPHEN LEE
CHAIRMAN
Mr Stephen Lee was co-opted to the Board on 15 November 2013 as Director representing the Founder Member and appointed as the Chairman on 1 January 2014. He is the Chairman of Singapore Airlines Ltd and SIA Engineering Company Ltd; Managing Director of Shanghai Commercial and Savings Bank Ltd (Taiwan) and Great Malaysia Textile Investments Pte Ltd; and President of the Singapore National Employers Federation.

Mr Lee is also a member of the National Wages Council and an Alternate Member of the Council of Presidential Advisers. He is a director of the Singapore Labour Foundation and NTUC Enterprise Co-operative Limited, amongst several other appointments.

Mr Lee was a Nominated Member of Parliament from 1994 to 1997. He was awarded the Public Service Star in 1998 and the Distinguished Service Order in 2006 for his contributions to both the public and private sectors.

Mr Lee graduated from Northwestern University, Illinois, USA, in 1973 with a Master of Business Administration.

TAN SUEE CHIEH
DIRECTOR
Mr Tan Suee Chieh was appointed to the Board on 30 May 2003 and was last re-elected as Director representing the Founder Member on 23 May 2012. He is a member of the Investment, Risk Management and Human Resource & Remuneration Committees.

Mr Tan is the Group Chief Executive of NTUC Enterprise Co-Operative Limited. He was NTUC Income's Chief Executive from 2007 to 2013. He had previously been a Managing Director at Prudential plc and was President, Asia Pacific Region at SHL Group plc.

Mr Tan serves on the Boards of several NTUC social enterprises, the International Co-operative & Mutual Insurance Federation (UK), is a Fellow of the Institute of Actuaries (UK), and a Trustee of the Singapore LSE Trust.

Mr Tan graduated with first class honours from the London School of Economics and obtained a Masters in Social Organisational Psychology from Columbia University (New York).

GABRIEL TEO
DIRECTOR
Mr Gabriel Teo was appointed to the Board on 24 May 2002 and was last re-elected as Director representing the Founder Member on 24 May 2011. He is the Chairman of the Investment Committee.

Mr Teo runs his own consultancy firm, Gabriel Teo & Associates Pte Ltd. Prior to starting his own practice, he spent more than 20 years in the banking industry in the region, holding senior appointments with global institutions. He was Head of Corporate Banking at Citibank, Chief Executive Officer of Chase Manhattan Bank and Regional Managing Director of Bankers Trust. Currently, he serves on the boards of several other corporates as well as non-profit organisations.

Mr Teo holds a Bachelor of Business Administration from the University of Singapore and a Master of Business Administration from the Cranfield School of Management (UK).

Board of Directors

TAN CHENG HAN
DIRECTOR
Prof Tan Cheng Han was appointed to the Board on 20 May 2005 and was last re-elected as Director representing the Founder Member on 24 May 2011. He is the Chairman of the Human Resource & Remuneration Committee and Nominating Committee and a member of the Audit Committee. Prof Tan was also appointed as the lead independent director with effect from 5 June 2013 after the Chairman was deemed non-independent under regulations for having served for nine years on the Board.

A Senior Counsel, Prof Tan is currently a Professor at the National University of Singapore's Faculty of Law. He is also the Chairman of the Advisory Committee for Move-On and Filming Orders, a Commissioner of the Competition Commission of Singapore and Chairman of the Public Accountants Oversight Committee, among others. He also serves on the boards of the Accounting and Regulatory Authority and several listed companies.

Prof Tan holds a Bachelor of Laws (Honours) from the National University of Singapore and a Master of Laws from Queen's College, University of Cambridge.

AUDREY CHIN
DIRECTOR
Dr Audrey Chin was first elected to the Board on 30 May 2008 and was last re-elected as Director representing Ordinary Members on 24 May 2011. She is a member of the Investment Committee and the Risk Management Committee.

Dr Chin is the Chairman of Keppel REIT Asian Management Limited and Vietnam Investing Associates – Financials (S) Pte Ltd. She has worked in investment management and strategy at the Government of Singapore Investment Corporation, Fortis Private Bank, Pacific Asset Management (S) Pte Ltd and Rossignol Pte Ltd.

Dr Chin is also a Director of JC Trust Pte Limited. She holds a PhD in Public Policy from Rand Graduate School.

PHILIP ENG
DIRECTOR
Mr Philip Eng was first elected to the Board on 30 May 2008 and was last re-elected as Director representing Institutional Members on 24 May 2011. He is the Chairman of the Audit Committee.

Mr Eng is non-executive Chairman of mDR Limited and Frasers Centrepoint Asset Management Ltd. He holds directorships in several companies including Hektar Asset Management Sdn Bhd, The Hour Glass Ltd, Chinese Development Assistance Council, Singapore Health Services Pte Ltd and Frasers Centrepoint Ltd. He is a Commissioner of PT Adira Dinamika Multi Finance Tbk, Indonesia.

Mr Eng is currently Singapore's High Commissioner to Canada. He graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

SUNG CHENG CHIH
DIRECTOR
Dr Sung Cheng Chih was elected to the Board on 24 May 2011 as Director representing the Founder Member. He is the Chairman of the Risk Management Committee and a member of the Human Resource & Remuneration Committee and Nominating Committee. Dr Sung is currently Investment Advisor to the Singapore Ministry of Finance, Special Advisor to the Monetary Authority of Singapore and Consultant to GIC. He joined GIC in 1993 and retired as Managing Director and Chief Risk Officer for the GIC Group in 2011.

Dr Sung is a member of the Expert Panel of the Ministry of Finance in Norway. He is also serving on the boards of the Markit Group, the MIT Investment Management Company, the Wealth Management Institute, Singapore, and the Risk Management Institute at the National University of Singapore.

Dr Sung studied Applied Mathematics at the University of Waterloo and also holds a PhD degree in Pure Mathematics from the University of Minnesota.

Board of Directors

RICHARD SHERMON
DIRECTOR
Mr Richard Shermon was elected to the Board on 24 May 2011 as Director representing the Founder Member. He is a member of the Investment Committee and the Risk Management Committee.

Mr Shermon is a British national now residing in Australia and managing his own financial consultancy business. He has 25 years of experience in financial services, of which he was the CEO of AXA Life Insurance in Singapore for three years. He is a qualified actuary and has a strong background in actuarial science as well as a good knowledge of the insurance business in UK, Australia and Singapore.

Mr Shermon holds an honours degree in Mathematics from the Oxford University and is a Fellow of the Institute of Actuaries, UK.

HENG CHEE HOW
DIRECTOR
Mr Heng Chee How was elected to the Board on 23 May 2012 as Director representing the Founder Member. He is a member of the Risk Management Committee and Nominating Committee.

Mr Heng is Senior Minister of State (Prime Minister's Office) and the Deputy Secretary-General of NTUC. He started his career in the Singapore Police Force before moving to NTUC in 1995. He entered the civil service as Minister of State in 2004 and became Senior Minister of State (Prime Minister's Office) in May 2011. Mr Heng is currently a Member of Parliament for Whampoa SMC. He also serves on the Board of NTUC Enterprise Co-operative Ltd and as a trustee and advisor to several trade unions. He is the Executive Secretary of the United Workers of Electronic and Electrical Industries and Union of Telecoms Employees of Singapore.

Mr Heng holds a Masters in Arts degree from Cambridge University and a Masters in Public Administration from Harvard University.

DIANA CHIA
DIRECTOR
Ms Diana Chia was elected to the Board on 23 May 2012 as Director representing the Institutional Members. She is a member of the Audit Committee.

Ms Chia is the President of the NTUC. She is also the General Secretary of the Healthcare Employees Union. Ms Chia has been a member of the NTUC Central Committee since 1994 and has been active in its Women's Programme. She is a director of NTUC Enterprise Co-operative and a member of the Industrial Arbitration Court Employee Panel, National Wages Council, Singapore Workforce Development Agency (Healthcare ISTC) and Singapore Nursing Association, among others.

Ms Chia holds a degree in Health Science (Nursing) from the University of Sydney and various other qualifications including a diploma in Industrial Relations.

Board of Directors

CHOONG TUCK OON

DIRECTOR

Mr Choong Tuck Oon was elected to the Board on 23 May 2012 as Director representing the Ordinary Members. He is a member of the Risk Management Committee.

Mr Choong was with Accenture for 23 years until his retirement in 2010 as Senior Partner in the Financial Services Asia-Pacific practice. Mr Choong was also involved in voluntary non-governmental organisation activities, such as launching a bank-of-banks for micro-finance institutions across Indonesia for a consortium of international aid agencies, and developing a new growth strategy across 11 countries in Asia Pacific for an international conservation fund.

Mr Choong is currently an independent non-executive Director of RHB Bank, RHB Islamic Bank, RHB Private Equity, OSK Indochina Securities and OSK Indochina Bank.

Mr Choong holds a Bachelor of Science degree (First Class Honours) from the University of Malaya, a Master of Science degree from the Asian Institute of Technology and Executive Diploma in Directorship from Singapore Management University.

KEVIN KWOK

DIRECTOR

Mr Kevin Kwok was co-opted to the Board on 1 January 2013 as Director representing the Founder Member and formally elected on 5 June 2013. He is a member of the Audit Committee.

Mr Kwok is also a director and Audit Committee Chairman of NTUC Eldercare Co-operative Ltd since 2007. His other directorships include Singapore Exchange Limited, Mapletree Greater China Commercial Trust Management Ltd and Wheelock Properties (Singapore) Ltd.

Mr Kwok was a Senior Partner of Ernst & Young LLP in Singapore and retired after 35 years with the firm. He headed the firm's Assurance Services in Singapore and ASEAN.

Mr Kwok graduated from the University of Sheffield (UK) with a Bachelor of Arts degree (Honours) with dual honours in Economics and Accounting & Financial Management. He is a Fellow of both the Institute of Singapore Chartered Accountants and the Chartered Malaysian Institute of Taxation. He is a Chartered Accountant, being a member of the Institute of Chartered Accountants in England & Wales and the Malaysian Institute of Accountants. Mr Kwok serves on the Governing Council of the Singapore Institute of Directors, of which he is also a Fellow.

LAU WING TAT

DIRECTOR

Mr Lau Wing Tat was elected to the Board on 5 June 2013 as Director representing the Institutional Members. He is a member of the Investment Committee.

Mr Lau is currently the Chairman of The ASEAN Economic Community Fund. He is also a director of the Central Provident Fund Board and a member of its Investment Committee. Mr Lau joined the Government of Singapore Investment Corporation in 1983 for a career in Investment Management. He was with GIC for the next 20 years, where he played a number of different roles in various departments. Between February 2005 and June 2007, Mr Lau served as the Chief Investment Officer and Chief Executive Officer of DBS Asset Management, a wholly-owned subsidiary of the DBS Group. Thereafter, he took on several directorships and advisory roles.

Mr Lau Wing Tat has a First Class Honours degree in Mechanical Engineering from the University of Singapore and is a Chartered Financial Analyst.

Corporate Governance

INTRODUCTION

NTUC Income adopts a high standard of corporate governance consistent with best practices. Its framework of corporate governance policies and practices is in line with the Guidelines on Corporate Governance issued by the Monetary Authority of Singapore (MAS), the Insurance (Corporate Governance) Regulations (ICGR) and the Co-operative Societies Act.

NTUC Income recognises the importance of having a set of well defined corporate governance processes to enhance performance and accountability, to sustain business performance and to safeguard the interest of its stakeholders. The promotion of corporate transparency, integrity and accountability at all levels of the organisation is led by the Board and assisted by the management team.

BOARD GOVERNANCE

Board Role and Responsibilities

The Board of Directors oversees the affairs of the Co-operative, including setting its strategic direction and long term goals, and reviewing its performance. The principal duties of the Board include:

- Approving broad policies, strategies and objectives of the organisation
- Monitoring management performance, including the implementation of strategies, policies and business results
- Approving annual budgets (capital and operating), major fund proposals, and investment and divestment proposals
- Overseeing investment management including approval of investment policy, asset and liability matching policy and strategy
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance
- Overseeing talent acquisition, development and retention including compensation polices and succession planning
- Assuming responsibility for corporate governance including reviewing the code of conduct and standards of business practice

Matters which require specific Board approval/endorsement include, but are not limited to the following:

- Investments, risks, capital expenditure, borrowings, forgiveness of debts and loan write offs exceeding delegated limits
- material acquisition and disposal of assets
- bonus declaration to policyholders
- share issuance and dividend declaration
- amendments to the By-Laws
- appointment of directors and key executives
- every transaction with a related party
- opening of bank accounts and authorised signatories to operate the accounts
- authorised signatories for documents executed under common seal
- any other matter as required under the By-Laws and applicable laws and regulations.

The Board exercises stewardship in directing the Co-operative towards achieving its objectives. It ensures that the Co-operative adopts sound corporate governance practices, complies with applicable laws and regulations, and has the necessary measures in place to achieve its objectives. It monitors management performance and emphasises professionalism and honesty in all dealings, and at all levels in the organisation so as to sustain the Co-operative's standing, image and reputation.

Corporate Governance

Board Composition

The Board comprises 13 members as follows:

Chairman	Stephen Lee
Directors	Tan Suee Chieh
	Gabriel Teo
	Tan Cheng Han
	Audrey Chin
	Philip Eng
	Sung Cheng Chih
	Richard Shermon
	Heng Chee How
	Diana Chia
	Choong Tuck Oon
	Kevin Kwok
	Lau Wing Tat

Mr Kevin Kwok was co-opted to the Board on 1 January 2013 and was formally elected to the Board at the 43rd Annual General Meeting (AGM) held on 5 June 2013. Mr Lau Wing Tat was also elected to the Board at the same AGM. Mr Stephen Lee was co-opted to the Board on 15 November 2013.

Prof Tan Cheng Han was appointed as the lead independent director with effect from 5 June 2013 after the Chairman was deemed non-independent under regulations for having served for nine years on the Board.

Mr Ng Kee Choe, the Chairman of the Board, stepped down with effect from 31 December 2013 after serving more than 9 years and was appointed as Special Advisor to the Board starting 1 January 2014. Mr Stephen Lee was appointed as the new Chairman from 1 January 2014.

Mr Matthias Yao who was appointed as advisor to the Board on 1 June 2012 stepped down with effect from 31 December 2013.

The directors collectively possess a wide spectrum of core competencies such as accounting, actuarial, banking, insurance, investment, legal and risk management. There is a good mix of general business background and specialist skills. With their broad knowledge, expertise and experience from the private sector and industry, the Board provides valuable insights and advice to management. The Nominating Committee (NC) is of the view that diversity on the Board in terms of background and experience is important. It has assessed the skills of the directors and agreed that the desired competencies include accounting, actuarial, auditing, finance, insurance, investments, legal and risk management all of which are currently represented on the Board. In addition, the NC has formalised a continuous development programme for the directors to further equip them with the appropriate skills to perform their roles on the Board and Board Committees. This is in line with the Guidelines on Corporate Governance. However, the NC is of the view that the number of hours of training and the types of courses under this programme should not be fixed in order to have more flexibility. It has agreed that the continuous development programme will comprise talks and seminars organised by external organisations, talks by invited speakers at Board and Board Committee meetings (or other separate occasion) and the training component from presentations on technical issues made at such meetings.

Corporate Governance

Directors' Independence

The MAS Guidelines on Corporate Governance and the ICGR advocate a strong and independent element on the Board so that it is able to exercise objective judgment independent from management and substantial shareholders. The NC determines the independence of the directors prior to appointment and annually, based on criteria set out in the Corporate Governance Guidelines and ICGR. Such criteria include whether a director's length of service has affected his/her independence, and any relationship with the Co-operative, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Co-operative.

The NC considers all but six directors to be independent. The non-independent directors comprise Mr Gabriel Teo who has served on the Board for more than 9 years, Mr Stephen Lee, Mr Tan Suee Chieh, Mr Heng Chee How and Ms Diana Chia who are connected to the substantial shareholder, and Mr Choong Tuck Oon who is deemed to have a business relationship by virtue of his position as an independent director of RHB Bank which has a working relationship with NTUC Income. The current composition of the Board satisfies the statutory requirement of having a majority of independent directors.

Board Meetings and Attendance

The Board conducts five scheduled meetings a year and additional meetings are held when deemed necessary. At these meetings, the Board reviews the Co-operative's financial performance, corporate strategy, business plans, strategic operational issues as well as major issues and challenges that the Co-operative may face in the future. Towards the end of the financial year, it also discusses and approves the budget for the following year. In 2013, a Directors' Retreat was held in November to approve the business plan for the period 2014 to 2016.

During the course of the year, Board approvals were also obtained through written resolutions approved by circulation.

The directors attend the Annual General Meeting (AGM), Board meetings and meetings of the Board Committees on which they serve. Meeting papers, reports and information necessary for the understanding of the matters to be reviewed during the meetings are disseminated in a timely manner, in advance of meetings.

Directors' Attendance at Board and Board Committee Meetings in 2013

Name of Director	Board		Audit Committee (AC)		Investment Committee (IC)	
	No. of meetings		No. of meetings		No. of meetings	
	Held@	Attended	Held@	Attended	Held@	Attended
Ng Kee Choe	5	5	–	–	–	–
Stephen Lee(1)	1	1	–	–	–	–
Tan Suee Chieh	5	5	–	–	4	4
Gabriel Teo	5	4	–	–	4	3
Tan Cheng Han	5	5	5	5	–	–
Audrey Chin	5	5	–	–	4	4
Philip Eng(2)	5	4	5	5	2	–
Sung Cheng Chih	5	5	–	–	–	–
Richard Shermon	5	5	–	–	4	4
Heng Chee How	5	4	–	–	–	–
Diana Chia	5	4	5	4	–	–
Choong Tuck Oon	5	5	–	–	–	–
Kevin Kwok(3)	5	3	5	5	–	–
Lau Wing Tat(4)	2	2	–	–	2	2

Corporate Governance

Name of Director	Risk Management Committee (RMC)		Nominating Committee (NC)#		Human Resource & Remuneration Committee (HRRC)	
	No. of meetings Held@	Attended	No. of meetings Held@	Attended	No. of meetings Held@	Attended
Ng Kee Choe	–	–	–	–	–	–
Stephen Lee [(1)]	–	–	–	–	–	–
Tan Suee Chieh	4	4	–	–	–	–
Gabriel Teo	–	–	–	–	–	–
Tan Cheng Han	–	–	3	3	4	4
Audrey Chin	4	3	–	–	–	–
Philip Eng [(2)]	–	–	–	–	–	–
Sung Cheng Chih	4	4	3	3	4	4
Richard Shermon	4	4	–	–	–	–
Heng Chee How	4	3	3	2	–	–
Diana Chia	–	–	–	–	4	4
Choong Tuck Oon	4	4	–	–	–	–
Kevin Kwok[(3)]	–	–	–	–	–	–
Lau Wing Tat[(4)]	–	–	–	–	–	–

@ Number of meetings held during the period the director was a member of the Board and/or Board Committee
\# Additional approvals from NC were obtained via circulation
(1) Co-opted as member of the Board on 15 November 2013
(2) Stepped down as member of IC on 5 June 2013
(3) Co-opted as member of the Board on 1 January 2013 and elected as director at the 43rd AGM
(4) Elected as director at the 43rd AGM on 5 June 2013 and appointed as member of IC

Chairman and Chief Executive

The roles of the Chairman and Chief Executive (CEO) are distinct and separate, with a clear division of responsibilities. This is consistent with the principle of ensuring a balance of power and authority. It also provides for greater accountability and independent decision making.

The Chairman leads the Board and ensures its effectiveness in all aspects of its role. He promotes high standards of corporate governance and steers the Board towards making sound decisions. He ensures that active and comprehensive discussions are held on all matters brought up to the Board, and encourages constructive relations between the Board and senior management.

The Chairman plays a key role at AGMs in fostering constructive dialogue between the members of the Co-operative, the Board and senior management. Members' questions and concerns are addressed at these meetings.

The CEO is the most senior executive and assumes executive responsibility for the Co-operative's business. He oversees the execution of the Co-operative's corporate and business strategy and is overall responsible for managing its operations. Mr Tan Suee Chieh stepped down as the CEO effective 1 October 2013 to assume the role of Group Chief Executive Officer of NTUC Enterprise Co-operative Ltd. Mr Ken Ng was appointed as the new CEO after an extensive search by the Board, both internally and externally. Mr Ng was NTUC Income's Senior Vice President and General Manager of Distribution. He joined NTUC Income in 2007 as its Senior Vice President, Appointed Actuary and Chief Risk Officer.

Corporate Governance

Board Training
The Co-operative has an induction programme to provide new directors with structured training which includes introductory information on the Co-operative, briefings by senior management on the Co-operative's history, corporate profile and structure, key performance measures, strategy, business plan and risk management. A half day induction programme was conducted in 2013 for the newly elected directors.

Management ensures that the Board receives regular reports on the Co-operative's financial performance and operations, and is provided with relevant information to facilitate discussions on specific matters and issues. The Board is also regularly briefed on accounting and regulatory changes, as well as on major industry and market developments. Information on appropriate external training programmes and seminars are also circulated as part of the continuous development programme for directors. In 2013, some directors attended Module 2 of the MAS Insurance Directors Programme focused at extending knowledge and understanding on matters of importance in the governance of regulated institutions and insurance companies.

Board Evaluation
The Board has implemented an annual evaluation process which is carried out by the NC to assess the performance and effectiveness of the Board as a whole. All directors participate in the evaluation which is conducted through confidential completion of an evaluation questionnaire. The Board evaluation covers a wide range of matters including Board Composition, Board Process, Board Accountability, Board Committee Effectiveness, Standard of Conduct and Social Impact.

The evaluation results and feedback are collated and discussed by the NC. The results of the evaluation exercise are also presented to the Board for discussion.

BOARD COMMITTEES

The Board has established five Board Committees to assist it in carrying out its oversight of the operations and business affairs of the Co-operative. The five Board Committees are the Audit, Investment, Risk Management, Nominating, and Human Resource and Remuneration Committees. The Board has delegated authority and powers to these Committees to monitor and have oversight over specific areas.

The composition of the Board Committees satisfies the independence requirements stipulated in the Guidelines on Corporate Governance and the ICGR.

Each of the Committees has its own clearly defined terms of reference which describe its objectives, composition, and key duties and responsibilities. In 2013, all Board Committees reviewed their respective terms of reference to ensure alignment to the revised Guidelines on Corporate Governance issued by the MAS.

Audit Committee
The Audit Committee (AC) comprises four members as follows:

Chairman	Philip Eng
Members	Tan Cheng Han
	Diana Chia
	Kevin Kwok

The AC operates within the Board-approved written terms of reference which set out the AC's authority and responsibilities as prescribed in the Guidelines on Corporate Governance issued by MAS for all major insurers.

Corporate Governance

The key duties and responsibilities of the AC are to:

- Review the audit plan, results and cost-effectiveness of external audits, as well as the independence and objectivity of external auditors, on both audit and non-audit services
- Review with internal and external auditors significant accounting and financial reporting issues
- Review with management and the external auditors the financial statements of the Co-operative
- Review with internal and external auditors their evaluation of the adequacy and effectiveness of the material financial, operational and compliance controls, including the review of corporate whistle-blowing arrangements through which staff may in confidence raise concerns about possible improprieties relating to financial reporting, controls or any other matters
- Review and ensure the effectiveness of the internal audit function in terms of its organisational independence, resources, capability, practices and work plans
- Make recommendations to the Board on the appointment, re-appointment or removal of external auditors and approving the remuneration and terms of engagement of the external auditors
- Review all material related party transactions and keep the Board informed of such transactions

The Head of Internal Audit (IA) has a direct reporting line to the Chairman of the AC. The IA function resides in-house and is independent of the activities it audits. The IA function is staffed by suitably qualified executives. The Head of IA and majority of the IA staff are members of the Institute of Internal Auditors, Singapore. IA has established a programme that covers all aspects of its activity that conforms to the International Standards for the Professional Practice of Internal Auditing.

The AC met five times during the year. Internal auditors, the Chief Executive and certain senior management executives attended these meetings. The external auditors attended two of these meetings.

During the year, the AC reviewed with management the quarterly management reports, financial statements, significant accounting policies and estimates. The external auditors' audit plan, the management letter and management's response were presented to the AC and discussed with both the management and the external auditors. The AC also reviewed the internal audit plan, scope of internal audit activities, reports of internal audits and follow up reviews performed by internal audit. The AC ensures that there are processes in place for ensuring that recommendations made by internal audit, external audit and MAS are effectively dealt with on a timely manner.

The AC reviewed its terms of reference and the Internal Audit Charter to ensure they are adequate and relevant. A self-evaluation was performed by the AC to ensure the requirements in the terms of reference were fulfilled. NTUC Income has a whistle-blowing policy whereby staff can raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. The AC reviewed the arrangements in place for independent investigation of such matters and for appropriate follow-up action. In addition, investigation findings, recommendations and follow up actions were reviewed at AC meetings.

On a quarterly basis, management reported to the AC significant related party transactions, contingent liabilities and regulatory compliance issues and these were reviewed at AC meetings.

In performing its functions, the AC had met up at least annually with the internal and external auditors without the presence of management.

The AC believes that, in the absence of evidence to the contrary, the system of internal controls maintained by the Co-operative's management and which was in place throughout the financial year up to the date of this report provides reasonable, but not absolute, assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of financial risk. The AC notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Corporate Governance

Investment Committee
The Investment Committee (IC) comprises eight members as follows:

Chairman Gabriel Teo

Members Tan Suee Chieh
Audrey Chin
Richard Shermon
Lau Wing Tat
Ken Ng (Chief Executive)
Peter Michael Heng (Chief Investment Officer)
Lau Sok Hoon (Appointed Actuary)

Mr Philip Eng stepped down as a member of the IC with effect from 5 June 2013 and Mr Lau Wing Tat was appointed to the IC following his election to the Board. Ms Lau Sok Hoon was appointed as the Appointed Actuary effective 1 April 2014 following the resignation of Mr Questor Ng.

The IC assists the Board in ensuring the Co-operative's investment activities are managed in a prudent manner.

The key duties and responsibilities of the IC are to:

- Recommend the investment policy for approval by the Board and ensure that the approved investment policy is implemented in an appropriate manner
- Review the investment policy and performance on a regular basis so that it remains appropriate, recognising among other things, changes in business profile and the economic environment
- Ensure the investment policy is consistent with the asset liability management strategies, including for new products where appropriate
- Ensure the investment policy of the participating fund is consistent with bonus strategy
- Assist the Board to discharge its responsibilities under the MAS Notice 125 through yearly review of the adequacy and relevance of the investment policy of the Co-operative – in terms of overall risk tolerance, long-term risk-return requirements and solvency position – in the light of business activities and risk profile, and present its review to the Board
- Ensure that internal control systems and risk management functions overseeing investment related activities are adequate and appropriate
- Ensure resources dedicated to the investment activities of the Co-operative are sufficient to implement and manage the approved investment policy and any other activities requested by the Board

The IC is authorised to make all investment decisions as delegated by the Board. Property investments exceeding S$250 million in a single transaction would require the approval of the Board. The IC will report to the Board any transaction of material consequence. The IC has the discretion to refer to the Board for approval for transactions which may have wider implications beyond pure investment considerations.

The IC held four regular meetings during the year. It considered a number of specific and major investment initiatives, including specific initiatives on asset-liability and investment management and property investment.

Risk Management Committee
The Risk Management Committee (RMC) comprises six members as follows:

Chairman Sung Cheng Chih

Members Tan Suee Chieh
Audrey Chin
Richard Shermon
Heng Chee How
Choong Tuck Oon

Corporate Governance

The Board delegates its oversight function to the RMC while retaining the ultimate authority and responsibility. The RMC exercises the authority delegated by the Board to provide oversight on the risk management framework and policies, covering all material risks that include market, credit, insurance, operational and reputation risks.

The key duties and responsibilities of the RMC are to:

- Approve the strategy, framework and policies for risk management
- Set enterprise level risk appetite and tolerance
- Ensure management has established adequate systems and processes for the identification, measurement, management, monitoring and reporting of risk
- Highlight to the Board issues of concern on key risks

The Chief Risk Officer has a direct reporting relationship to the RMC.

The RMC held four meetings during the year. It reviewed and discussed with management the risk management strategy and plans forward, and the risk management framework with the objective of further strengthening the Co-operative's risk management approaches, practices and responses to key risks. The RMC reviewed and discussed amongst others, the Co-operative's capital and solvency management, business planning, regulatory developments, risk reporting and operational risk management.

Nominating Committee
The Nominating Committee (NC) comprises three members as follows:

Chairman	Tan Cheng Han
Members	Sung Cheng Chih
	Heng Chee How

The key duties and responsibilities of the NC are to:

- Make recommendations to the Board on all Board appointments and re-appointments including the appointment and re-appointment of members of the Board Committees
- Determine the criteria to be applied in identifying suitable candidates, reviewing nominations and re-nominations for appointments to the Board of Directors and Board Committees
- Identify candidates and review all nominations for the appointment of the CEO, Deputy CEO, any actuary appointed with the approval of the MAS, Chief Financial Officer and Chief Risk Officer
- Review the reasons provided by each director, each member of the Board Committees, the CEO, Deputy CEO, any actuary appointed with the approval of the MAS, Chief Financial Officer and Chief Risk Officer for his resignation from his appointment
- Ensure that each candidate or nominee is fit and proper for office and is qualified for the office, taking into account the candidate's or nominee's track record, age, experience, capabilities, skills and such other factors as may be deemed relevant
- Make recommendations to the Board on the development of a process for the annual evaluation of the performance of the Board, its committees and directors
- Assess skills of directors on an annual basis and identify whether the Board or Board Committees lack any skills
- Determine the independence of each director prior to every AGM based on the definition and criteria set out in the provisions of the prevailing ICGR
- Review and assess whether each existing director remains qualified for the office using the criteria set out in the provisions of the prevailing ICGR, and to notify MAS in writing of the review and assessment
- Ensure that all directors who continue in service submit themselves for re-nomination and re-election at regular intervals and at least every three years

Corporate Governance

- Decide whether a director with multiple board representations is able to and has been adequately discharging his or her duties, taking into account the number of board representations and other principal commitments
- Review and make recommendations to the Board on succession plans for directors, in particular, the Chairmen of the Board and Board Committees, and for key management, in particular, the CEO
- Review training and professional development programmes for the Board

The NC assists the Board to evaluate the suitability of candidates for appointment to the Board by ensuring that competent and qualified individuals capable of contributing to the success of the organisation are considered. It reviews and recommends all director appointments for the Board's endorsement. It also ensures that the composition of the Board comprises a diverse range of skills and expertise so that management can tap the knowledge and experience of Board members. The NC assesses the skills of directors and identifies whether the Board or Board Committees lack any skills.

The NC also reviews the independence of each Board member on an annual basis as well as whether each director remains qualified for office.

In keeping with good corporate governance, all directors are subject to re-nomination and re-election once every three years. In addition, all new nominations to the Board require the prior approval of the MAS.

The NC is mindful that directors who serve on multiple boards may be faced with competing time commitment. Although the NC has not imposed a formal limit on the number of directorships which a director may hold, it requires each director to declare annually that he/she is able to devote sufficient time and attention to the Co-operative and to adequately discharge his/her duties as director. The NC has reviewed and is satisfied that directors who currently hold multiple board representations are able to devote adequate time and attention to discharge their duties effectively.

The NC met three times during the year. The key areas reviewed were the assessment of new Board candidates, the skills and competencies needed on the Board, the composition of the Board Committees and the impact of changes made to the Corporate Governance Guidelines and regulations. The NC also carried out the annual Board evaluation exercise.

Human Resource & Remuneration Committee
The Human Resource & Remuneration Committee (HRRC) comprises three members as follows:

Chairman	Tan Cheng Han
Members	Sung Cheng Chih Tan Suee Chieh

Ms Diana Chia stepped down from the HRRC and Mr Tan Suee Chieh was appointed as a member on 15 January 2014.

The key duties and responsibilities of the HRRC are to:
- Review and recommend a framework for determining the remuneration of non-executive directors and CEO
- Review and recommend a framework for determining the remuneration of executive officers based on the factors set out in the prevailing ICGR, including any amendment thereto
- Review and approve the remuneration plans for senior management, defined as Senior Vice Presidents and above, and for the CEO only, in consultation with the Board Chairman
- Review the remuneration practices at least once in each year to ensure that they are aligned with the remuneration framework, including annual salary increment, bonus payout and long term incentive plans

Corporate Governance

- Provide oversight on talent management and development of senior management
- Review and approve succession plans for senior management, at least once in every two years
- Review appointments and terminations of senior management and to recommend to the Nominating Committee for approval
- Review and recommend the remuneration of non-executive directors to members for approval at the AGM

The HRRC met four times during the year. The key areas reviewed were the remuneration framework, remuneration of senior management team, succession planning for senior management and the Committee's alignment to corporate governance. During the course of the year, the HRRC also conducted interviews of candidates for senior management appointments.

The Corporate Governance Guidelines advocate the adoption of the Principles for Sound Compensation Practices and Implementation Standards issued by the Financial Stability Board (FSB) which aim to reduce incentives that encourage excessive risk taking. The HRRC has reviewed the Co-operative's compensation practices to ensure that compensation is aligned with prudent risk taking, effective supervisory oversight and is market competitive.

RELATED PARTY TRANSACTIONS POLICY AND PROCESS

The related party transactions policy of the Co-operative provides guidance and direction on the identification of and the approval of related party transactions. The policy prohibits all related party transactions, unless approved or ratified by the Board, or is considered pre-approved as outlined in the policy. On a quarterly basis, the management reports to the AC and Board any significant related party transactions identified and these transactions are reviewed at the AC and Board meetings.

REMUNERATION POLICY

Employees' Remuneration

The Co-operative's policy is to remunerate its employees at competitive and appropriate levels, commensurate with their performance and contribution. It seeks to attract, motivate, reward and retain quality employees and foster a performance-oriented culture across the organisation. The total compensation package for employees comprises basic salary, fixed and variable bonuses, as well as other staff benefits. The approximate mix of remuneration of fixed and variable is 80%-20% for employees and 75%-25% for managers. For senior management, the approximate mix is about 65%-35%. In addition, a Long Term Incentive plan is provided for eligible senior management members. In order to ensure that its remuneration package is competitive, the Co-operative regularly reviews its base salary ranges and benefits package based on market data. Each job is graded and base salary ranges are established (by using the market median as a midpoint guide) for each respective grade.

Remuneration of Non-Executive Directors

The remuneration of non-executive directors is based on a fee structure recommended by the National Trades Union Congress (NTUC) as the Founder Member of the NTUC Social Enterprises. The directors' fee scale for the NTUC Social Enterprises was reviewed in 2012. Recognising that the responsibilities of directors have increased and there are more regulatory requirements to comply with, the Social Enterprise Development Council (SEDC) of NTUC set up a task force to recommend a new director fee structure for the Social Enterprises that would commensurate with the increased responsibilities of Board members. The task force proposed a new framework based on data obtained from a range of companies comparable in revenue, size and industry.

Corporate Governance

Based on the new director fee structure, the director's fee for non-executive directors in 2013 was approved at the last AGM as follows:

Chairman	$50,000
Deputy Chairman/Chairman of Audit, Risk or Investment Committee	$42,500
Chairman of Human Resource & Remuneration or Nominating Committee	$36,250
Member of Audit, Risk or Investment Committee	$36,250
Member of Human Resource & Remuneration or Nominating Committee	$31,250
Director	$25,000

In addition, a sum of $50 is paid per attendance at Board meetings up to a maximum of $600 per annum. The director's fee is pro-rated for new directors who come on board based on the period of service. Each director is paid one fee only, pegged to the highest appointment he or she holds, regardless of the number of appointments.

Non-Executive Directors' Remuneration for 2013

Name of Director	Director Fee	Fee for attendance at Board meetings	Total Remuneration
Ng Kee Choe	$50,000.00	$250	$50,250.00
Stephen Lee[(1)]	$3,219.18	$50	$3,269.18
Tan Suee Chieh[(2)]	$9,136.99	$50	$9,186.99
Gabriel Teo	$42,500.00	$200	$42,700.00
Tan Cheng Han	$36,250.00	$250	$36,500.00
Audrey Chin	$36,250.00	$250	$36,500.00
Philip Eng	$42,500.00	$200	$42,700.00
Sung Cheng Chih	$42,500.00	$250	$42,750.00
Richard Shermon	$36,250.00	$250	$36,500.00
Heng Chee How	$36,250.00	$200	$36,450.00
Diana Chia	$36,250.00	$200	$36,450.00
Choong Tuck Oon	$36,250.00	$250	$36,500.00
Kevin Kwok	$36,250.00	$150	$36,400.00
Lau Wing Tat[(3)]	$20,756.85	$100	$20,856.85

(1) Co-opted as member of the Board on 15 November 2013
(2) Ceased to be an executive director when he stepped down as the CEO effective 1 October 2013
(3) Elected as director at 43rd AGM on 5 June 2013

Immediate Family Member of Directors
The Co-operative did not employ any immediate family member of a director in 2013.

Remuneration of Key Executives
The Corporate Governance Guidelines recommend that the remuneration of at least the top five key executives be disclosed within bands of $250,000. After careful consideration, the Board has decided not to disclose information on the remuneration of the top five key executives as the disadvantages to the Co-operative'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.

Corporate Governance

COMMUNICATION WITH MEMBERS

Members of the Co-operative can access relevant information on the Co-operative at its website at www.income.com.sg. Members are also given the opportunity to participate actively at the Co-operative's Annual General Meetings where they can ask questions and communicate their views. The directors, senior management and external auditors are present at these meetings to address queries and concerns raised by members.

ENTERPRISE RISK MANAGEMENT

The Risk Management Strategy, as formulated by the RMC and approved by the Board, serves to ensure that the risk management framework is in place to identify, assess and manage material risks consistently across all business activities.

Enterprise Risk Management Framework

Enterprise Risk Management (ERM) Framework at the Co-operative level involves the overall assessment of risks which the Co-operative can be exposed to, over the present as well as reasonably foreseeable future, and its integration with capital management.

The Co-operative's enterprise-wide Risk Appetite Statement articulates quantitatively and qualitatively, the level of risk that the Co-operative is ready to accept and tolerate, and provides the basis for oversight and governance for the Co-operative.

The foremost principle underlying the Co-operative's ERM Framework is that all risk management activities are aimed at facilitating the achievement of its stated corporate objectives and social priorities, in a manner that is consistent with the Co-operative stated aim of financial stability and serving the community whilst protecting and enhancing the reputation and standing of the Co-operative.

Risk Management Principles

Risk is a key part of our business and is defined as events which have a range of probabilistic outcomes, some of which have a negative impact on the organisation.

Under the risk management framework, risks are classified under five broad categories which are considered to be most central to our business:

1. **Market Risk**

   Market risk is the risk to the Co-operative's financial condition arising from adverse movements in the level or volatility of market prices and long term investment performance.

   This risk is managed through the confluence of investment and liability management strategies (including bonus strategy for participating business).

2. **Insurance Risk**

   Insurance risk refers to the payment of claim upon a contingent, uncontrollable event, in return for a premium. The assumption of insurance risk to earn an economic profit is our core business. This risk is managed through the combination of underwriting and pricing.

   The Insurance Risk Policy sets out the types of risks that are acceptable to us, the limits of our retention and how new risks are to be evaluated and approved.

Corporate Governance

3. **Credit Risk**
Credit risk is the risk of default by borrowers and transactional counterparties as well as the loss of value of financial assets due to deterioration in credit quality.

The Counterparty Risk Policy puts in place a robust process of rating to be applied to credit exposure. Each credit is rated and assigned a limit which will be aggregated and monitored across different sources of counterparty risk. Absolute limits are set according to our evaluation of the credit worthiness.

4. **Operational Risk**
Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risks are managed through:

- Establishing and executing enterprise-wide risk management strategies for specific operational risks that could materially impact our ability to do business or impact our reputation.

- Self risk assessment whereby Heads of Business Units are accountable for the day-to-day management of the operational risks inherent in their operations. They identify and assess key risks and controls, and design controls and action plans to manage operational risks as part of their overall portfolio of risk, and to achieve an effective internal controls environment.

- Use of appropriate operational risk management tools, methodology and mitigation strategies to identify, assess and monitor key operational risk exposures.

- Risk reviews by the Risk Management function on specific areas of concern to identify areas for improvements and to close gaps or weaknesses.

5. **Reputation Risk**
Our business relies on our reputation and the trust our policyholders place in us for their financial security. We are committed to continue to earn this trust by reinforcing fair and ethical practices, supported by strong compliance and corporate governance structures and processes.

The risk management framework ensures that risks are properly identified, assessed, controlled or mitigated. The framework is tailored to our organisation and business structure to ensure that it is relevant and effective. From time to time, we will review the framework to ensure that it remains so and it does provide the safeguards and assurances that our business is soundly run.

Roles and Responsibilities
The RMC provides Board level oversight to risk management. The Risk Executive Committee is a management committee responsible for implementation and operationalisation of the risk management strategy. The Chief Risk Officer and the Risk Management team are accountable to both committees and have primary accountability to ensure that objectives of the committees are met.

The role of the Risk Management Committee is to:

- Approve and review on a regular basis the Co-operative’s Risk Management Strategy, which should be commensurate with the size and nature of its activities.
- Provide oversight of material risks taken by the Co-operative and approve risk management policies to ensure they are consistent with the business strategies approved by the Board.

Corporate Governance

The role of the Risk Executive Committee is to implement the Risk Management Strategy through:

- Institution of appropriate policies, processes and procedures
- Review of material risk evaluation methodologies and approval processes
- Monitor, review and reporting of risk exposures and limits
- Shape and promote appropriate risk culture throughout the organisation

The Chief Risk Officer, supported by the Risk Management team:

- Establishes and maintains our enterprise risk management framework, key risk register, and individual risk management strategies for each broad risk category
- Has oversight of the execution of these risk management strategies across the enterprise
- Proactively partners with business units to ensure a consistent enterprise-wide assessment of risk and risk-based capital

Asset Liability Management (ALM)
The Co-operative adopts a rigorous and dynamic Asset Liability Management approach that drives the Co-operative's Strategic Asset Allocation (SAA). The ALM process does not focus only on addressing interest rate risk of the Co-operative's assets and liabilities but rather, a 'balance sheet approach' is adopted with consideration of liability requirements and liquidity needs, supported by well articulated risk appetite boundaries for the achievement of the Co-operative's long term return objectives.

The overall ALM approach in setting of the strategic investment asset allocation is premised upon a prudent philosophy guided by our risk appetite. Assets are demarcated into two sub pools, each hypothecated to back liabilities versus surpluses of Funds.

The asset pool backing liabilities are invested in fixed income bonds with a conservative mix of Singapore government versus investment grade corporate bonds. The duration of the assets is driven by the profile of the liabilities, targeting good cash flow match to minimize the fund's liquidity and interest rate risk.

The asset pool backing surpluses consists of assets backing capital requirements versus surplus capital. Assets backing capital requirements are invested in a conservative mix of fixed income assets while surplus capital assets are invested in return seeking assets such as equities, physical properties and alternative assets to achieve optimal asset diversification benefit.

ALM Methodology
Studies are conducted annually to determine the optimal SAA to be adopted by the Co-operative.

A range of financial models, such as short rate models and multi factor models, is used to develop stochastic economic scenarios. Each scenario contains forward looking views on interest rates, credit spreads, equity returns and property returns, which are used to simulate the possible changes in both the value of the liabilities and the value of a portfolio of assets.

A number of portfolio assets are run through the economic scenarios to determine their risk and return characteristics. The optimal SAA is chosen as the portfolio that generates the highest return while still respecting all risk limits. The optimal SAA determined in each study must be approved by the Investment Committee before implementation.

Appointed Actuary's Report

For the financial year ended 31 December 2013

I am pleased to submit my report on the financial health of the Co-operative.

For 2013, the economic environment remains volatile and uncertain. The Co-operative remains financially sound and insurance contract provisions are sufficient to meet future obligations. Our assets dropped by $34 million while insurance contract provisions remain unchanged.

Insurance Funds	* Net Assets ($ million)			Insurance Contract Provisions ($ million)		
	31-Dec-12	31-Dec-13	% change	31-Dec-12	31-Dec-13	% change
Life Insurance Funds						
Participating Fund	24,418	**24,259**	-0.7%	24,177	**23,982** ^	-0.8%
Non-Participating Fund	2,432	**2,427**	-0.2%	1,359	**1,481**	9.0%
Investment-Linked Fund	1,294	**1,359**	5.0%	1,282	**1,347**	5.1%
General Insurance Fund	1,203	**1,268**	5.4%	657	**665**	1.2%
Total Insurance Funds	29,347	**29,313**	-0.1%	27,475	**27,475**	0.0%

* Net assets is the assets net of other liabilities.
^ Includes investment contract liabilities of $33 million.

The insurance contract provisions are valued on the statutory risk-based capital (RBC) basis, taking into account of all contractual liabilities. For the Life Insurance Participating Fund, total insurance contract provisions include an allowance for future bonuses. This year, based on our investigation of recent experience we have updated our reserving assumptions for future lapses, distribution cost loadings, management expenses, mortality, annuitants' mortality and best estimate interest rate to reflect expected experience more closely. The net effect of this was an increase in insurance contract provisions of $208.4 million.

One of my duties as the Appointed Actuary is to recommend to the Board, the bonus rates to be allocated to the Co-operative's participating policyholders. In making these recommendations, I performed a series of financial investigations and followed a set of principles agreed with the Board to ensure the fairness and sustainability of bonus rates.

Investment return is a key consideration for surplus distribution. As long term investors, we do look to average the performance over the long term horizon and it is this which primarily drives our bonus allocation. Short term fluctuations will be smoothed out. In 2013, the return for the Life Insurance Participating Fund was at 1.54%. As a result, I have drawn the attention of the Board of Directors and senior management that if future investment performance does not improve, bonus allocation may need to be revised.

After weighing the financial analysis, policyholders' reasonable expectation, competitors' bonus strategy, Board of Directors' view and senior management's view, my recommendation is to maintain the same annual bonus scale as declared in 2013 and adopt the special (or terminal) bonus scales planned for 2014. With this, the total cost of bonus would amount to $412.0 million. This includes $94.2 million of bonus that was paid, in anticipation of surplus, on policies that terminated in the year 2013. Details on bonus rates are set out in Appendix A.

Appointed Actuary's Report

For the financial year ended 31 December 2013

Below is a summary of the financials after taking account of the following changes in the respective insurance funds in 2013.

(in $ million)	**Life Insurance Participating Fund**	**Life Insurance Non-Par Fund**	**Investment Linked Fund**	**General Insurance Fund**
Accumulated Surplus held in Insurance Funds as at 31 Dec 2012	241.1	360.4	11.9	545.7
Add: Investment Income from Surplus Account	(1.8)	NA	NA	NA
Add: Net Surplus for the year ^	45.8*	(126.8)	0.4	72.0
Less: transfer to reserve for future distribution	0.0	(111.9)	0.0	0.0
Less: transfer to Shareholders' Fund	8.4	0.9	0.0	14.4
Accumulated Surplus held in Insurance Funds as at 31 Dec 2013	276.7	344.6	12.3	603.3

^ Net of allocation of management expenses excluding investment income from surplus account.
* Net surplus is calculated as 1/9 of the cost of bonus.

I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $45.8 million, to the Life Insurance Participating Fund Surplus Account. In addition, we will continue to transfer 18.4% of this amount (or $8.4 million) to the Shareholders' Fund.

I also recommended a transfer to the Shareholders' Fund of $0.9 million from the Life Insurance Non-Participating Fund and $14.4 million from the General Insurance Fund.

For investment linked business, support for writing new business effectively is provided by the non-unit account of the Investment Linked Fund. As such, I do not recommend any transfer to the Shareholders' Fund from the Investment Linked Fund in order to support the business and maintain financial strength within the Investment Linked Fund.

QUESTOR NG
Appointed Actuary

Singapore, 21 March 2014

Appointed Actuary's Report

For the financial year ended 31 December 2013

Appendix A

BONUS RATES

(a) Annual bonus and Compounding rates

Bonus Series	2013 Annual Bonus Rates	2013 Compounding Rates
R – Endowment	$13	1.30%
R – Harvest	$7	0.70%
R – Dreamsaver	NA	NA
R – Revosave	$13	1.30%
R – LP Revosave	$7	0.70%
R – Vivochild	$10	1.00%
R – Senior	$7	0.70%
R – Vivolife	$5	0.50%
R – Vivocare	$7	0.70%
R – LP Protection	$5	0.50%
R – Protection	$7	0.70%
R – Harvest GIO	$7	0.70%
R – SP SAIL	$13	1.30%
R – RP SAIL	$10	1.00%
EV – Ltd Pay Living / Protection (LPLP)	$13	1.30%
EV – PayMyUni	$13	1.30%
EV – Revosave	$13	1.30%
EV – Vivolife	$7	0.70%
EV – Reach	$10	1.00%
EV – Dreamsaver	NA	NA
EV – Vivocare	$7	0.70%
EV – Growth	$10	1.00%
EV – Vivosave	$13	1.30%
EV – LP Revosave 5-Pay-10	$7	0.70%
EV – SP SAIL	$16	1.60%
EV – RP SAIL	$12	1.20%
LP – Whole Life Policy	$13	1.30%
LP – Harvest Policy (Ver 1)	$11	1.10%
LP – Growth Policy	$10	1.00%
LP – Endowment & Harvest Policy (Ver 2)	$13	1.30%
CB – Whole Life Policy	$15	1.50%
CB – Others	$15	1.50%
DP – Whole Life Policy	$15	1.50%
SB – Whole Life Policy	$15	1.50%
SB – Others	$15	1.50%
AD	$40	4.75%
Annuity – Y	0.00%	0.00%
Annuity – H	1.00%	1.00%
Annuity – K	2.50%	2.50%
Annuity – K1 & K2	2.00%	2.00%
Paid-up policies	$0	0.00%

Appointed Actuary's Report

For the financial year ended 31 December 2013

Appendix A (continued)

BONUS RATES (CONTINUED)

(a) Annual bonus and Compounding rates (continued)

Note:
– For SP SAIL, annual bonus rates are quoted per $1,000 single premium
– For RP SAIL, annual bonus rates are quoted per $1,000 annualised premium paid to date
– For participating annuities, annual bonus rates are quoted as a percentage addition to the monthly annuity payment
– For others, annual bonus rates are quoted per $1,000 sum assured.

These bonuses will be declared on policies in force as at 31 December 2013. They will vest on 1 April 2014 or the second policy anniversary of the policy, whichever is later. For regular premium policies, it is subject to payment of the full year's premium to the policy anniversary in 2013. For annuities, bonus is added on their policy anniversaries from 1 April 2014 to 31 March 2015.

(b) Terminal Bonus

LP Series

	For Deaths & Maturities			For Surrenders		
Policy Year	Whole Life	Endowment Harvest (v2)	Growth Harvest (v1)	Whole Life	Endowment Harvest (v2)	Growth Harvest (v1)
5	125%	95%	102%	80%	56%	62%
10	107%	82%	87%	91%	68%	72%
15	81%	64%	66%	67%	51%	53%
20	69%	55%	57%	69%	55%	57%
25	62%	50%	51%	62%	50%	51%
30	57%	47%	47%	57%	47%	47%
35	54%	45%	45%	54%	45%	45%
40	52%	43%	43%	52%	43%	43%

CB Series

	For Deaths & Maturities		For Surrenders	
Policy Year	Whole Life	Endowment	Whole Life	Endowment
5	154%	128%	103%	82%
10	92%	79%	54%	44%
15	65%	56%	52%	44%
20	51%	45%	39%	34%
25	44%	40%	44%	40%
30	41%	37%	41%	37%
35	38%	35%	38%	35%
40	37%	33%	37%	33%

Appointed Actuary's Report

For the financial year ended 31 December 2013

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) Terminal Bonus (continued)

EV Series – part 1

Policy Year	For Deaths & Maturities				For Surrenders			
	Ltd Pay Whole Life	PayMyUni	Revosave	Vivolife	Ltd Pay Whole Life	PayMyUni	Revosave	Vivolife
5	146%	156%	80%	0%	90%	95%	30%	0%
10	155%	165%	125%	50%	99%	102%	70%	0%
15	165%	166%	150%	100%	110%	109%	105%	50%
20	176%	187%	170%	150%	155%	120%	145%	100%
25	187%	197%	188%	185%	176%	185%	175%	150%
30	200%	NA	NA	185%	188%	NA	NA	185%
35	213%	NA	NA	188%	200%	NA	NA	188%
40	227%	NA	NA	195%	214%	NA	NA	195%

EV Series – part 2

	For Deaths & Maturities				For Surrenders			
Policy Year	Reach	Dreamsaver	Vivocare	Growth	Reach	Dreamsaver	Vivocare	Growth
5	50%	400%	0%	0%	25%	0%	0%	0%
10	80%	950%	50%	0%	70%	900%	0%	0%
15	NA	NA	100%	0%	NA	NA	50%	15%
20	NA	NA	150%	45%	NA	NA	100%	25%
25	NA	NA	185%	60%	NA	NA	150%	25%
30	NA	NA	185%	60%	NA	NA	185%	25%
35	NA	NA	188%	60%	NA	NA	188%	25%
40	NA	NA	195%	60%	NA	NA	195%	25%

EV Series – part 3

	For Deaths & Maturities					For Surrenders			
Policy Year	Vivosave (Death)	Vivosave (Maturity)	LP Vivosave 5-Pay-10	SP SAIL	RP SAIL	Vivosave	LP Vivosave 5-Pay-10	SP SAIL	RP SAIL
5	0%	0%	124%	185%	46%	250%	47%	170%	41%
10	100%	0%	230%	195%	151%	250%	225%	180%	140%
15	250%	0%	NA	240%	248%	480%	NA	220%	231%
20	250%	0%	NA	285%	339%	540%	NA	266%	320%
25	250%	0%	NA	332%	420%	700%	NA	316%	393%
30	330%	0%	NA	384%	516%	750%	NA	374%	484%
35	420%	0%	NA	NA	NA	770%	NA	NA	NA
40	540%	855%	NA	NA	NA	820%	NA	NA	NA

Appointed Actuary's Report

For the financial year ended 31 December 2013

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) Terminal Bonus (continued)

R Series – part 1

	For Deaths & Maturities				For Surrenders			
Policy Year	Endowment	Harvest	Revosave	LP Revosave	Endowment	Harvest	Revosave	LP Revosave
5	95%	333%	80%	128%	56%	196%	30%	48%
10	98%	343%	125%	200%	83%	291%	70%	112%
15	102%	357%	150%	240%	86%	301%	105%	168%
20	106%	371%	170%	272%	106%	371%	145%	232%
25	110%	385%	188%	301%	110%	385%	175%	280%
30	114%	399%	NA	NA	114%	399%	NA	NA
35	118%	413%	NA	NA	118%	413%	NA	NA
40	123%	431%	NA	NA	123%	431%	NA	NA

R Series – part 2

	For Deaths & Maturities					For Surrenders		
Policy Year	Dreamsaver (8 year) (Death)	Dreamsaver (10 year) (Death)	Dreamsaver (8 year) (Maturity)	Dreamsaver (10 year) (Maturity)	Senior	Dreamsaver (8 year)	Dreamsaver (10 year)	Senior
5	300%	300%	0%	0%	306%	0%	0%	196%
10	NA	713%	736% ^	920%	321%	NA	675%	274%
15	NA	NA	NA	NA	336%	NA	NA	289%
20	NA	NA	NA	NA	350%	NA	NA	350%
25	NA	NA	NA	NA	368%	NA	NA	368%
30	NA	NA	NA	NA	385%	NA	NA	385%
35	NA	NA	NA	NA	404%	NA	NA	404%
40	NA	NA	NA	NA	424%	NA	NA	424%

^ Maturity TB is at year 8

R Series – part 3

	For Deaths & Maturities			For Surrenders				
Policy Year	Vivochild	Vivolife	Vivocare	Vivochild (5-Pay)	Vivochild (10-Pay)	Vivochild (Full Pay)	Vivolife	Vivocare
5	155%	0%	0%	135%	70%	39%	0%	0%
10	155%	100%	50%	135%	135%	60%	0%	0%
15	155%	200%	100%	135%	135%	135%	83%	50%
20	155%	300%	150%	135%	135%	135%	165%	100%
25	NA	370%	185%	NA	NA	NA	248%	150%
30	NA	370%	185%	NA	NA	NA	305%	185%
35	NA	376%	188%	NA	NA	NA	310%	188%
40	NA	390%	195%	NA	NA	NA	322%	195%

Appointed Actuary's Report

For the financial year ended 31 December 2013

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) Terminal Bonus (continued)

R Series – part 4

	For Deaths & Maturities			For Surrenders		
Policy Year	**LP Protection**	**Protection**	**Harvest GIO**	**LP Protection**	**Protection**	**Harvest GIO**
5	48%	125%	333%	24%	80%	196%
10	95%	131%	343%	71%	112%	291%
15	143%	137%	357%	119%	118%	301%
20	190%	143%	371%	166%	143%	371%
25	238%	150%	385%	214%	150%	385%
30	285%	157%	399%	261%	157%	399%
35	333%	165%	NA	309%	165%	NA
40	380%	173%	NA	356%	173%	NA

R Series – part 5

	For Deaths & Maturities		For Surrenders	
Policy Year	**SP SAIL**	**RP SAIL**	**SP SAIL**	**RP SAIL**
5	139%	41%	102%	37%
10	146%	136%	108%	126%
15	180%	223%	132%	208%
20	271%	305%	239%	288%
25	315%	357%	284%	334%
30	384%	439%	355%	403%
35	NA	NA	NA	NA
40	NA	NA	NA	NA

Other Series

	For Death & Maturity				For Surrender			
Policy Year	**SB Series (WL)**	**SB Series (Endowment)**	**DP Series (WL)**	**AD Series**	**SB Series (WL)**	**SB Series (Endowment)**	**DP Series (WL)**	**AD Series**
5	117%	92%	0%	25%	74%	54%	0%	0%
10	65%	55%	0%	25%	32%	24%	0%	15%
15	51%	43%	34%	25%	39%	32%	23%	15%
20	42%	37%	32%	25%	30%	26%	22%	25%
25	37%	33%	31%	25%	37%	33%	31%	25%
30	35%	32%	31%	25%	35%	32%	31%	25%
35	34%	31%	30%	25%	34%	31%	30%	25%
40	33%	30%	30%	25%	33%	30%	30%	25%

Special (or terminal) bonus above is calculated as a percentage of the accumulated annual bonus, and is applicable to the policies experiencing the above specified events during year 2014. For Dreamsaver, the special bonus rates are declared as a percentage of the monthly premiums.

Statement by Directors

For the financial year ended 31 December 2013

In the opinion of the directors,

(a) the consolidated financial statements of the Group as set out on pages 32 to 116 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2013 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended 31 December 2013; and

(b) at the date of this statement, there are reasonable grounds to believe that the Co-operative will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Stephen Lee	Eng Heng Nee Philip	Ng Wai Kin Ken
Chairman	Director	Chief Executive

Singapore, 21 March 2014

Independent Auditor's Report

To the members of NTUC Income Insurance Co-operative Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NTUC Income Insurance Co-operative Limited (the "Co-operative") and its subsidiaries (the "Group") set out on pages 32 to 116, which comprise the consolidated balance sheet of the Group as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows of the Group for the financial 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 Co-operative Societies Act, Chapter 62 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide 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 profit and loss accounts and balance sheets 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 judgement, 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 qualified audit opinion.

Basis for Qualified Opinion

As stated in Notes 2(s) and 19 of the financial statements, the share capital and treasury shares of the Co-operative do not qualify as equity in accordance with the provisions of Financial Reporting Standard 32, Financial Instruments: Presentation, and should instead be classified as financial liabilities. Had it been done, the share capital of $439,430,000 (2012: $439,255,000) less the corresponding treasury shares of $14,159,000 (2012: $14,159,000) would be reflected as a liability, and dividends paid of $25,499,000 (2012: $25,489,000) would be reflected as a finance cost instead of a distribution to participating members.

Qualified Opinion

In our opinion, except for the effects of the matter described in the basis for qualified opinion paragraph, the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2013, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Independent Auditor's Report

To the members of NTUC Income Insurance Co-operative Limited

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Management's Responsibility for Compliance with Legal and Regulatory Requirements

Management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We conducted our audit in accordance with Singapore Standards on Auditing. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act.

Our compliance audit includes obtaining an understanding of the internal control relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

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

Opinion

In our opinion,

(a) proper accounting and other records have been kept; and

(b) the receipts, expenditure and investment of moneys and the acquisition and disposal of assets by the Co-operative during the financial year have been in accordance with the By-Laws of the Co-operative and the provisions of the Act.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants
Singapore, 21 March 2014

Consolidated Balance Sheet

As at 31 December 2013

		The Group 2013					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
ASSETS							
Property, plant and equipment	5	9,375	–	–	–	–	9,375
Intangible assets	6	32,921	9,912	–	–	–	42,833
Investment properties	7	1,538,701	–	–	–	–	1,538,701
Investment in subsidiaries	8	–	–	–	–	–	–
Investment in joint venture	9	93,833	–	–	–	–	93,833
Investment in associated companies	10	312,012	–	–	–	126,077	438,089
Other financial assets	11	21,662,472	2,267,648	1,312,552	1,211,838	719,964	27,174,474
Loans	12	694,254	–	–	96	–	694,350
Derivative financial instruments	13	64,998	15	1,236	882	395	67,526
Reinsurers' share of insurance contract provisions	14	–	–	–	29,390	–	29,390
Insurance and other receivables	15	115,679	39,848	26,915	16,156	25,023	223,621
Cash and cash equivalents	16	604,313	167,036	73,723	79,182	33,513	957,767
		25,128,558	2,484,459	1,414,426	1,337,544	904,972	31,269,959
LIABILITIES							
Insurance contract provisions	14	23,952,479	1,481,331	1,347,180	694,456	–	27,475,446
Investment contract liabilities		32,760	–	–	–	–	32,760
Derivative financial instruments	13	86,262	3,591	3,590	4,555	2,598	100,596
Borrowings	17	419,849	–	–	–	598,772	1,018,621
Insurance and other payables	18	359,020	53,684	51,422	35,168	21,412	520,706
		24,850,370	1,538,606	1,402,192	734,179	622,782	29,148,129
NET ASSETS		278,188	945,853	12,234	603,365	282,190	2,121,830
SHARE CAPITAL AND RESERVES							
Share capital	19	–	–	–	–	439,430	439,430
Treasury shares		–	–	–	–	(14,159)	(14,159)
Reserves for future distribution	20	–	601,217	–	–	–	601,217
Fair value reserve		–	–	–	–	(13,208)	(13,208)
Accumulated deficit of shareholders' fund	28	–	–	–	–	(129,873)	(129,873)
Accumulated surplus of insurance funds – Life insurance par fund	27	276,714	–	–	–	–	276,714
– Other insurance funds	28	–	344,636	12,234	603,365	–	960,235
		276,714	945,853	12,234	603,365	282,190	2,120,356
Non-controlling interest		1,474	–	–	–	–	1,474
Total equity		278,188	945,853	12,234	603,365	282,190	2,121,830

The accompanying notes form an integral part of the financial statements.

Consolidated Balance Sheet

As at 31 December 2013

		The Group 2012					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
ASSETS							
Property, plant and equipment	5	9,213	–	–	–	–	9,213
Intangible assets	6	26,823	11,788	–	–	–	38,611
Investment properties	7	807,071	–	–	–	–	807,071
Investment in subsidiaries	8	–	–	–	–	–	–
Investment in joint venture	9	98,429	–	–	–	–	98,429
Investment in associated companies	10	386,237	–	–	–	119,776	506,013
Other financial assets	11	21,352,935	2,344,935	1,249,612	1,141,813	475,654	26,564,949
Loans	12	878,620	–	–	125	203,538	1,082,283
Derivative financial instruments	13	101,608	371	1,548	2,149	1,116	106,792
Reinsurers' share of insurance contract provisions	14	–	–	–	30,163	–	30,163
Insurance and other receivables	15	119,852	31,920	23,244	20,176	44,830	240,022
Cash and cash equivalents	16	1,318,036	105,504	48,752	79,980	63,041	1,615,313
		25,098,824	2,494,518	1,323,156	1,274,406	907,955	31,098,859
LIABILITIES							
Insurance contract provisions	14	24,258,057	1,358,978	1,281,869	687,226	–	27,586,130
Investment contract liabilities		39,267	–	–	–	–	39,267
Derivative financial instruments	13	31,444	2	1,207	2,000	1,413	36,066
Borrowings	17	–	–	–	–	598,654	598,654
Insurance and other payables	18	527,496	62,035	28,247	39,439	22,650	679,867
		24,856,264	1,421,015	1,311,323	728,665	622,717	28,939,984
NET ASSETS		242,560	1,073,503	11,833	545,741	285,238	2,158,875
SHARE CAPITAL AND RESERVES							
Share capital	19	–	–	–	–	439,255	439,255
Treasury shares		–	–	–	–	(14,159)	(14,159)
Reserves for future distribution	20	–	713,114	–	–	–	713,114
Fair value reserve		–	–	–	–	(840)	(840)
Accumulated deficit of shareholders' fund	28	–	–	–	–	(139,018)	(139,018)
Accumulated surplus of insurance funds – Life insurance par fund	27	241,118	–	–	–	–	241,118
– Other insurance funds	28	–	360,389	11,833	545,741	–	917,963
		241,118	1,073,503	11,833	545,741	285,238	2,157,433
Non-controlling interest		1,442	–	–	–	–	1,442
Total equity		242,560	1,073,503	11,833	545,741	285,238	2,158,875

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

		The Group 2013					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Gross premiums		1,634,306	616,065	287,799	305,445	–	2,843,615
Reinsurance premiums		(15,850)	(164,367)	–	(14,262)	–	(194,479)
Net premiums		1,618,456	451,698	287,799	291,183	–	2,649,136
Fee and other income	21	17,849	1,205	–	2,092	26	21,172
Net investment income / (losses) and fair value gains / (losses)	22	421,510	(120,255)	104,917	43,107	22,178	471,457
Total		2,057,815	332,648	392,716	336,382	22,204	3,141,765
Benefits and claims							
Gross claims, surrenders and annuities		2,156,755	371,762	322,824	166,604	–	3,017,945
Bonus to policyholders	14	317,812	–	–	–	–	317,812
(Decrease) / Increase in insurance contract provisions	14	(641,250)	87,058	65,311	13,467	–	(475,414)
Less: Reinsurers' share of insurance benefits and claims		(4,174)	(77,369)	–	(5,661)	–	(87,204)
Net insurance benefits and claims		1,829,143	381,451	388,135	174,410	–	2,773,139
Expenses							
Interest expenses	17	16,086	–	–	–	22,018	38,104
Selling expenses		102,123	21,849	2,568	33,593	–	160,133
Management expenses	23	66,459	56,117	1,612	56,350	4,555	185,093
Total claims and expenses		2,013,811	459,417	392,315	264,353	26,573	3,156,469
Net operating surplus / (deficit)		44,004	(126,769)	401	72,029	(4,369)	(14,704)
Transfer to insurance contract provisions	14	(2,048)	–	–	–	–	(2,048)
Transfer to Shareholders' Fund		(8,408)	(881)	–	(14,405)	23,694	–
Transfer between Insurance Funds		–	–	–	–	–	–
Contribution to Central Co-operative Fund		–	–	–	–	–	–
Contribution to Singapore Labour Foundation		–	–	–	–	–	–
Share of result of associated companies and joint venture		2,080	–	–	–	15,319	17,399
Net surplus / (deficit) for the year		35,628	(127,650)	401	57,624	34,644	647

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

		The Group 2012					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Gross premiums		2,387,159	517,218	222,516	307,379	–	3,434,272
Reinsurance premiums		(11,673)	(109,542)	–	(11,562)	–	(132,777)
Net premiums		2,375,486	407,676	222,516	295,817	–	3,301,495
Fee and other income	21	16,105	529	–	2,694	18	19,346
Net investment income / (losses) and fair value gains / (losses)	22	1,846,472	163,467	145,335	67,609	13,411	2,236,294
Total		4,238,063	571,672	367,851	366,120	13,429	5,557,135
Benefits and claims							
Gross claims, surrenders and annuities		1,775,071	333,508	256,031	168,962	–	2,533,572
Bonus to policyholders	14	317,037	–	–	–	–	317,037
Increase in insurance contract provisions	14	1,936,528	160,992	107,571	24,476	–	2,229,567
Less: Reinsurers' share of insurance benefits and claims		(4,154)	(73,179)	–	(8,902)	–	(86,235)
Net insurance benefits and claims		4,024,482	421,321	363,602	184,536	–	4,993,941
Expenses							
Interest expenses	17	–	–	–	–	7,841	7,841
Selling expenses		108,739	21,065	2,156	35,729	–	167,689
Management expenses	23	59,814	54,627	1,525	52,838	3,972	172,776
Total claims and expenses		4,193,035	497,013	367,283	273,103	11,813	5,342,247
Net operating surplus		45,028	74,659	568	93,017	1,616	214,888
Transfer to insurance contract provisions	14	10,562	–	–	–	–	10,562
Transfer to Shareholders' Fund		(8,179)	(12,507)	–	(18,602)	39,288	–
Transfer between Insurance Funds		–	86,125	–	–	(86,125)	–
Contribution to Central Co-operative Fund		–	–	–	–	–	–
Contribution to Singapore Labour Foundation		–	–	–	–	–	–
Share of result of associated companies and joint venture		(10,537)	–	–	–	(951)	(11,488)
Net surplus / (deficit) for the year		36,874	148,277	568	74,415	(46,172)	213,962

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

		The Group 2013					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Other comprehensive income:							
Financial assets, available-for-sale:							
Fair value gain / (loss) through reserve		**15,800**	**–**	**–**	**–**	**(12,428)**	**3,372**
Transfer from reserves for future distribution*	20	**–**	**111,897**	**–**	**–**	**–**	**111,897**
Share in other comprehensive income of associated companies and joint venture	10	**12**	**–**	**–**	**–**	**60**	**72**
Transfer to insurance contract provision	14	**(12)**	**–**	**–**	**–**	**–**	**(12)**
Change in liabilities for insurance contracts arising from unrealised available-for-sale net (loss)		**(15,800)**	**–**	**–**	**–**	**–**	**(15,800)**
Total comprehensive income		**35,628**	**(15,753)**	**401**	**57,624**	**22,276**	**100,176**
Net surplus / (deficit) for the year excluding non-controlling interest		**35,596**	**(127,650)**	**401**	**57,624**	**34,644**	**615**
Non-controlling interest		**32**	**–**	**–**	**–**	**–**	**32**
		35,628	**(127,650)**	**401**	**57,624**	**34,644**	**647**
Total comprehensive income / (loss) excluding non-controlling interest		**35,596**	**(15,753)**	**401**	**57,624**	**22,276**	**100,144**
Non-controlling interest		**32**	**–**	**–**	**–**	**–**	**32**
		35,628	**(15,753)**	**401**	**57,624**	**22,276**	**100,176**

* Except for this item, all other items in "Other comprehensive income" will be reclassified subsequently to profit or loss.

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2013

		The Group 2012					
	Note	Life Insurance Par Fund $'000	Life Insurance Non–Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Other comprehensive income:							
Financial assets, available-for-sale:							
Fair value gain / (loss) through reserve		6,370	–	–	–	(29,879)	(23,509)
Transfer to reserves for future distribution*	20	–	(59,402)	–	–	–	(59,402)
Share in other comprehensive loss of associated companies and joint venture	10	(935)	–	–	–	–	(935)
Transfer to insurance contract provision	14	935	–	–	–	–	935
Change in liabilities for insurance contracts arising from unrealised available-for-sale net gains		(6,370)	–	–	–	–	(6,370)
Total comprehensive income		36,874	88,875	568	74,415	(76,051)	124,681
Net surplus / (deficit) for the year excluding non-controlling interest		36,849	148,277	568	74,415	(46,172)	213,937
Non-controlling interest		25	–	–	–	–	25
		36,874	148,277	568	74,415	(46,172)	213,962
Total comprehensive income / (loss) excluding non-controlling interest		36,849	88,875	568	74,415	(76,051)	124,656
Non-controlling interest		25	–	–	–	–	25
		36,874	88,875	568	74,415	(76,051)	124,681

* Except for this item, all other items in "Other comprehensive income" will be reclassified subsequently to profit or loss.

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2013

		The Group					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Share capital							
At 1 January 2013		–	–	–	–	439,255	439,255
Issuance of participating shares	19	–	–	–	–	1,710	1,710
Redemption of participating shares	19	–	–	–	–	(1,535)	(1,535)
At 31 December 2013		–	–	–	–	**439,430**	**439,430**
At 1 January 2012		–	–	–	–	439,121	439,121
Issuance of participating shares	19	–	–	–	–	1,231	1,231
Redemption of participating shares	19	–	–	–	–	(1,097)	(1,097)
At 31 December 2012		–	–	–	–	439,255	439,255
Accumulated surplus							
At 1 January 2013		241,118	360,389	11,833	545,741	(139,018)	1,020,063
Net surplus / (deficit) for the year		35,596	(127,650)	401	57,624	34,644	615
Transfer from reserves for future distribution		–	111,897	–	–	–	111,897
Transfer between Insurance Funds		–	–	–	–	–	–
Dividends for 2012 paid	26	–	–	–	–	(25,499)	(25,499)
At 31 December 2013		**276,714**	**344,636**	**12,234**	**603,365**	**(129,873)**	**1,107,076**
At 1 January 2012		204,269	234,047	1,265	518,793	(67,357)	891,017
Net surplus / (deficit) for the year		36,849	148,277	568	74,415	(46,172)	213,937
Transfer to reserves for future distribution		–	(59,402)	–	–	–	(59,402)
Transfer between Insurance Funds		–	37,467	10,000	(47,467)	–	–
Dividends for 2011 paid	26	–	–	–	–	(25,489)	(25,489)
At 31 December 2012		241,118	360,389	11,833	545,741	(139,018)	1,020,063
Fair value reserve							
At 1 January 2013		–	–	–	–	(840)	(840)
Comprehensive income for the year		–	–	–	–	(12,368)	(12,368)
At 31 December 2013		–	–	–	–	**(13,208)**	**(13,208)**
At 1 January 2012		–	–	–	–	(30,719)	(30,719)
Comprehensive income / (loss) for the year		–	–	–	–	29,879	29,879
At 31 December 2012		–	–	–	–	(840)	(840)
Reserves for future distribution							
At 1 January 2013		–	713,114	–	–	–	713,114
Transfer to accumulated surplus		–	(111,897)	–	–	–	(111,897)
At 31 December 2013	20	–	**601,217**	–	–	–	**601,217**
At 1 January 2012		–	653,712	–	–	–	653,712
Transfer from surplus for the year		–	59,402	–	–	–	59,402
At 31 December 2012	20	–	713,114	–	–	–	713,114

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2013

	Note	The Group					
		Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Treasury shares							
At 1 January 2013		**–**	**–**	**–**	**–**	**(14,159)**	**(14,159)**
At 31 December 2013		**–**	**–**	**–**	**–**	**(14,159)**	**(14,159)**
At 1 January 2012		–	–	–	–	(14,159)	(14,159)
At 31 December 2012		–	–	–	–	(14,159)	(14,159)
At 31 December 2013		**276,714**	**945,853**	**12,234**	**603,365**	**282,190**	**2,120,356**
At 31 December 2012		241,118	1,073,503	11,833	545,741	285,238	2,157,433
Equity of non-controlling interest							
At 1 January 2013		**1,442**	**–**	**–**	**–**	**–**	**1,442**
Comprehensive income for the year		**32**	**–**	**–**	**–**	**–**	**32**
At 31 December 2013		**1,474**	**–**	**–**	**–**	**–**	**1,474**
At 1 January 2012		1,417	–	–	–	–	1,417
Comprehensive income for the year		25	–	–	–	–	25
At 31 December 2012		1,442	–	–	–	–	1,442
At 31 December 2013		**278,188**	**945,853**	**12,234**	**603,365**	**282,190**	**2,121,830**
At 31 December 2012		242,560	1,073,503	11,833	545,741	285,238	2,158,875

The accompanying notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Operating activities			
Net surplus after levy		**647**	213,962
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		**–**	–
Depreciation of property, plant and equipment		**3,107**	3,630
Amortisation of intangible assets		**13,199**	10,664
Gain on disposal of property, plant and equipment and intangible asset		**(98)**	(23)
Interest income		**(44,168)**	(57,079)
Dividend income		**(253,376)**	(260,409)
Interest expense		**38,104**	7,841
(Gain) / loss on changes in fair value of other financial assets		**(395,898)**	(1,688,946)
(Gain) / loss on changes in fair value of loans		**(10,159)**	(3,595)
(Gain) / loss on changes in fair value of derivatives		**233,982**	(256,382)
(Gain) / loss on changes in fair value of investment properties		**(41,481)**	(3,626)
(Gain) / loss on sale of investment properties		**(1,349)**	373
Allowance for impairment made during the year		**14,606**	9,563
Allowance for doubtful loans written back		**(375)**	(151)
Loans written off		**265**	143
Allowance for doubtful receivables written back / utilised		**(122)**	(431)
Bonus to policyholders		**317,812**	317,037
Decrease in reinsurers' share of insurance contract provision		**773**	5,687
(Increase) / Decrease in insurance contract provisions		**(428,496)**	2,236,206
Negative goodwill arising from acquisition of subsidiary		**(8,233)**	–
Share of (profit) / loss of associated companies and joint venture company		**(17,399)**	11,488
Operating cash flows before changes in working capital		**(578,659)**	545,952
Changes in working capital:			
Insurance and other receivables		**16,034**	36,645
Insurance and other payables		**(322,656)**	226,602
Investment contract liabilities		**(6,507)**	(7,907)
Cash (used in) / generated from operations		**(891,788)**	801,292
Contributions to Singapore Labour Foundation		**–**	–
Contributions to Central Co-operative Fund		**–**	–
Cash flows (used in) / provided by operating activities		**(891,788)**	801,292

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2013

	Note	2013 $'000	2012 $'000
Investing activities			
Acquisition of a subsidiary, net of cash acquired	30	**(21,960)**	–
Purchase of property, plant and equipment		**(3,283)**	(2,261)
Purchase of intangible assets		**(17,421)**	(20,823)
Purchase of investment properties		**(24,175)**	(1,092)
Proceeds from disposal of property, plant and equipment and intangible assets		**112**	51
Proceeds from disposal of associated companies		**21,291**	151,237
Proceeds from disposal of investment properties		**2,840**	138,229
Interest received		**601,442**	589,111
Dividends received		**252,108**	260,845
Investment in associated companies and joint venture company		**–**	(304,975)
Increase in other financial assets and derivative instruments (net)		**(909,979)**	(2,352,871)
Increase in loans (net)		**396,577**	137,525
Cash flows from / (used in) investing activities		**297,552**	(1,405,024)
Financing activities			
Proceeds from issuance of participating shares		**1,710**	1,231
Redemption of participating shares		**(1,535)**	(1,097)
Dividends paid to participating members		**(25,499)**	(25,489)
Interest paid		**(37,986)**	–
Proceeds from issuance of subordinated debt		**–**	598,654
Cash flows (used in) / from financing activities		**(63,310)**	573,299
Net (decrease) / increase in cash and cash equivalents		**(657,546)**	(30,433)
Cash and cash equivalents at beginning of the year		**1,615,313**	1,645,746
Cash and cash equivalents at end of the year	16	**957,767**	1,615,313

Notes to the Financial Statements

For the financial year ended 31 December 2013

These notes form an integral part of and should be read in conjunction with the financial statements.

1. GENERAL

NTUC Income Insurance Co-operative Limited (the "Co-operative") is domiciled in Singapore and constituted under the Co-operative Societies Act (Chapter 62). The address of the Co-operative's registered office is 75 Bras Basah Road, NTUC Income Centre, Singapore 189557.

The principal activities of the Co-operative consist of the underwriting of life and general insurance business, and carrying out investment activities incidental to its business. The principal activities of its subsidiaries are investment holding, owning and leasing an investment property and operator of retail and referral services.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"), under the historical cost convention except as disclosed in the accounting policies below. The basis for preparation of the financial statements is fund accounting. Consolidation accounting is applied except that in the total there is no elimination of the transactions and balances between the funds.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2013

On 1 January 2013, the Group adopted the new or amended FRS and interpretation to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

Amendment to FRS 1 Presentation of Items of Other Comprehensive Income

The Group has also adopted the amendment to FRS 1 *Presentation of Items of Other Comprehensive Income* on 1 January 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

Amendment to FRS 1 Presentation of Financial Statements – Clarification of the requirements for comparative information

This amendment arose from Annual Improvements to FRSs issued by the Accounting Standards Council in August 2012. The amendment clarified that when an entity presents a balance sheet at the beginning of the preceding period, it need not present the related notes to that balance sheet if that balance sheet was required as a result of either:

– retrospective application of an accounting policy, or
– retrospective restatement or reclassification of items in the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

However, when an entity chooses to present FRS-compliant comparative financial statements in addition to the minimum comparatives required, the entity shall present related note information for those additional statements.

Amendment to FRS 107 Disclosure-Offsetting Financial Assets and Financial Liabilities
This amendment includes new disclosures to enable users of financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

This amendment does not have any impact on the accounting policies of the Group. The Group has incorporated the additional required disclosures into the financial statements.

FRS 113 Fair Value Measurement
FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs.

The adoption of FRS 113 does not have any material impact on the accounting policies of the Group. The Group has incorporated the additional disclosures required by FRS 113 into the financial statements.

(b) Fund accounting

Life Insurance Par Fund
The Life Insurance Par Fund contains all the individual participating life insurance contracts and certain non-participating life insurance contracts.

Participating life insurance contracts are contracts that contain a discretionary participating feature ("DPF"). This feature entitles the policyholders to receive additional benefits in the form of annual and terminal bonuses. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Group.

Life Insurance Non-Par Fund
The Life Insurance Non-Par Fund contains the health insurance and group term insurance businesses. It also includes the IncomeShield plans, ElderShield Scheme and the Dependants' Protection Scheme.

Investment Linked Fund
The Investment Linked Fund contains the business of all investment-linked insurance contracts.

General Insurance Fund
The General Insurance Fund contains the business of all the general insurance contracts.

Shareholders' Fund
The Shareholders' Fund contains the capital contributions made by shareholders, net of transfers to and from the insurance funds and net assets relating to other non-insurance businesses.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Classification of insurance and investment contracts

The Group issues contracts that transfer insurance risk or financial risk, or both.

Financial risk is the risk of a possible change in one or more of the following: a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of non-financial variable, that the variable is not specific to a party to the contract.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. Such contracts may also transfer financial risks. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 5% more than the benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk without significant insurance risk.

(d) Insurance contracts

(i) Recognition and measurement

Life Insurance Contracts

Premium revenue

Premiums from life insurance in-force insurance contracts, including annuities, are recognised as revenue on the due date. The outstanding premiums are included in "Insurance and other receivables" in the balance sheet.

Premiums received in advance before the due dates are not recognised as revenue. They are recorded as advance premiums and included in "Insurance and other payables" in the balance sheet until they are recognised as revenue when they fall due or when policy is issued.

Claims

Claims include maturities, annuities, surrenders and death claims. Maturity and annuity claims are recognised as an expense when due for payment. Surrender claims are recognised when paid. Death claims are recognised when notified.

All expense charges deducted from the investment linked life insurance contracts are recognised as income by the Life Insurance Par Fund for products introduced prior to 2009. For products introduced from 2009, these expense charges are recognised as income by the Investment Linked Fund. If the insurance benefit arising from a death claim exceeds the surrender value of an investment linked policy, the additional benefit exceeding the surrender value is paid out of the Life Insurance Par Fund for products introduced prior to 2009 and paid out of the Investment Linked Fund for products introduced from 2009.

Bonuses to policyholders

All participating life insurance contracts have discretionary participating features. These features entitle the policyholders to receive, as a supplement to guaranteed benefits, additional benefits or bonuses. Reversionary bonuses and cash dividends declared are based on the results of annual actuarial valuations in accordance with Insurance Regulations as advised by the Appointed Actuary. The amount or timing of the bonus declaration is not guaranteed, and is at the sole discretion of the Group. The Board of Directors approves the amount of bonus declared to policyholders of participating plans every year.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

Life Insurance Contracts (continued)

Insurance contract provisions

The valuation of insurance contract liabilities is determined according to Singapore Insurance Act (Chapter 142) and Insurance (Valuation and Capital) Regulations 2004 for life insurance funds.

(i) Life Insurance Par Fund

Provision for future participating and certain non-participating benefits in the Life Insurance Par Fund are established using a discounted prospective cash-flow method. It includes the current best estimate of future contractual premiums, expected claims, provisions for adverse deviation and the costs of maintaining the contracts and future renewal expenses. The liability in respect of the Life Insurance Par Fund is the highest of the gross premium valuation method, the minimum condition liability or the value of policy assets of the fund.

(ii) Life Insurance Non-Par Fund

Insurance contract provisions in the Life Insurance Non-Par Fund include provisions for future non-participating benefits, claims and loss adjustment expenses, provisions for adverse deviation and unexpired risks. Provision for future non-participating benefits is established using a discounted prospective cash-flow method. It includes the current best estimate of future contractual premiums, expected claims, provisions for adverse deviation and the costs of maintaining the contracts and future renewal expenses. Provisions for claims and loss adjustment expenses and unexpired risks are established based on the same approach used in the General Insurance Fund.

(iii) Investment Linked Fund

Provision for investment linked insurance contracts is based on the carrying amount of the net assets of the Investment Linked Fund at the reporting date. Provisions for future non-unit liability are based on the same approach used in the Life Insurance Non-Par Fund.

General Insurance Contracts

Premium revenue

Premiums are recognised as written from the commencement date of insurance cover. Written premiums are reported in the financial statements on a gross basis, inclusive of commission payable to intermediaries. Written premiums attributable to financial periods outside the financial reporting period are adjusted to the provision for unexpired risks in arriving at gross premiums.

Claims

Claims incurred comprise claims paid during the financial year, net of salvage and subrogation recoveries, and changes in provision for insurance claims.

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell salvaged property (salvage) or sue liable third parties (subrogation) in recovering the cost of losses.

Reasonable estimates of the salvage recoveries or subrogation reimbursements are included as an allowance in the measurement of the insurance liability for claims, and recognised in other assets when the liability is settled.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

General Insurance Contracts (continued)

Insurance contract provisions – General Insurance Fund

Provision for unexpired risks

Provision for unexpired risks includes provision for unearned premiums and a provision for premium deficiency.

The provision for unearned premiums represents premiums written for risks that have not yet expired. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the term of the contract.

Additional provision for premium deficiency is made where the expected future claim costs and expenses and a provision for adverse deviation exceed the provision for unearned premiums.

Provision for insurance claims

Provision is made for all outstanding claims as at the balance sheet date. This provision includes all unpaid claims, claims incurred but not reported, the anticipated direct and indirect costs of settling these claims and a provision for adverse deviation.

Investment Contracts

Amounts collected on investment contracts, which primarily involve the transfer of financial risk are accounted for using deposit accounting. The liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract. Subsequent measurement of investment contracts at amortised cost uses the effective interest method. Claim and/or benefit settlement is adjusted directly against the value of investment contract liabilities.

(ii) Embedded derivatives in insurance contracts

The Group does not need to separately measure at fair value the policyholder's option to surrender an insurance contract for a fixed amount (or for an amount based on a fixed amount and an interest rate), even if the exercise price differs from the carrying amount of the host insurance liability. This is in accordance with FRS 104 – Insurance Contracts.

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Group are not required to be separated and measured at fair value.

All revenue, benefit payments, expenses and valuation of future benefits payments including investment components are recognised in profit or loss.

(iii) Impact on unrealised gains and losses on available-for-sale assets on liabilities from insurance contracts – Life Insurance Par Fund

Changes in insurance contract liabilities within Life Insurance Par Fund which are due to the unrealised gains or losses arising from available-for-sale assets are recognised directly in the fair value reserve to match the corresponding unrealised gains or losses arising from available-for-sale assets.

(iv) Accumulated surplus – Life Insurance Par Fund

The accumulated surplus within the Life Insurance Par Fund represents the maximum amount of the surplus arising from the Life Insurance Par Fund that could be transferred to the Shareholders' Fund each year. It has been the Group's practice that only a portion of the surplus will be transferred to the Shareholders' Fund.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(v) Reinsurance

The Group enters into reinsurance contracts in the normal course of business to diversify its risks and limit its net loss potential. Assets, liabilities, income and expense arising from the reinsurance contracts and co-insurance arrangements are presented separately from the assets, liabilities, income and expense from the related insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each balance sheet date. Such assets are deemed impaired if there is objective evidence that the Group may not recover all amounts due from the reinsurer.

(vi) Liability adequacy tests

At each balance sheet date, liability adequacy tests are performed to assess the adequacy of the insurance liabilities estimates. Current best estimates of future contractual cash flow, expected future claims handling, acquisition and administration costs, if any, are projected at best estimate assumptions, and discounted at rates that are close to the Group's prospective investment return. Any deficiency is charged to profit or loss.

(e) Revenue

Gross premium

The accounting policy for the recognition of gross premium is disclosed in Note 2(d)(i).

Fee and other income

Fee and other income comprises reinsurance commission income (including reinsurance profit commission income) and management and other fees.

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts (see Note 2(d)).

Reinsurance profit commission income is recognised based on the terms of the underlying reinsurance contract, and when the amount of revenue and related cost of the reinsurance transaction can be reliably measured.

Management and other fees comprise fund management fees, mortality fees, policy fees and fund switch fees relating to Investment Linked Funds.

Management and other fees are recognised as revenue on a straight-line basis over the period the service is provided.

Investment income

Investment income comprises of rental income from investment properties, dividend and interest income from financial assets and interest income on loans and bank deposits.

Rental income from investment properties is recognised as revenue on a straight-line basis over the term of the operating lease.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income.

Dividend income is recognised when the right to receive payment is established.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Employee compensation

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by the employees up to the balance sheet date.

(g) Contributions to Central Co-operative Fund and Singapore Labour Foundation

Under the Co-operative Societies Act, the surplus of a Co-operative society is subject to a levy payable to the Central Co-operative Fund (the "CCF") and/or the Singapore Labour Foundation (the "SLF"). A levy of 5% of the first $500,000 of surplus is payable to the CCF. A levy of 20% of the surplus for amounts above $500,000 is payable to either the SLF or CCF as the society may opt.

In the case of an insurance co-operative, the surplus excludes capital gains arising from the disposal of any office premises of the society and any shares of the society. The surplus also excludes portion that is used for declaration of bonus to policyholders or retained in the insurance fund and, accordingly, no provision for levy has been made for any surplus retained in any insurance fund. Such surpluses are designated as surpluses retained within insurance funds on the balance sheet.

(h) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Singapore Dollars which is the functional currency of the Co-operative and are rounded to the nearest thousand, unless otherwise stated.

(ii) Transactions and balances

Foreign currency transactions are translated into Singapore Dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Changes in fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group accounting

(i) Subsidiaries

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from their activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Co-operative. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

Transactions with non-controlling interests

Changes in the Co-operative's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Group. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Co-operative.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group accounting (continued)

(ii) Joint ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting.

Investments in joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint ventures represents the excess of the cost of acquisition of the joint ventures over the Group's share of the fair value of the identifiable net assets of the joint ventures and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its joint ventures' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Gains and losses arising from partial disposals or dilutions in investments in joint ventures are recognised in profit or loss.

The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Associated companies

Associated companies are entities (not being subsidiaries) over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in equity directly. These post-acquisition movements and distributions are adjusted against the carrying amount of the investment.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group accounting (continued)

(iii) Associated companies (continued)

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained interest in the entity is re-measured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies are recognised in profit or loss.

(j) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on property, plant and equipment is calculated on a straight-line basis to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Office equipment	5 years
Furniture and fittings	5 years
Computer equipment	3 to 5 years
Motor vehicles	3 to 5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets

Intangible assets include cost of computer software acquired. Acquired computer software licenses are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable cost of preparing the asset for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense when incurred.

Computer software licenses are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of five years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(l) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(m) Investment properties

Investment properties are initially recognised at cost and subsequently carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative methods such as discounted cash flow projections or recent prices in less active markets. These valuations are reviewed annually by an independent professional valuer. Changes in fair values are recorded in profit or loss.

All properties are held as investment properties within the Life Insurance Par Fund for investment purposes (rental yields and capital appreciation). Any change in value of the properties would accrue mainly to the participating policyholders.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised to profit or loss.

(n) Investment and other financial assets

Non-derivative investments and other financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investment and other financial assets (continued)

(i) Investments at fair value through profit or loss

Investments that are held by the Group to back life insurance and investment contract liabilities are designated by the Group on initial recognition at fair value through profit or loss. This designation eliminates or significantly reduces measurement inconsistency that would otherwise arise. The measurement bases for investment contracts, investment linked life insurance contracts and contracts with discretionary participation features issued by the Group all reflect changes in the fair value of the investments backing the contracts. For annuities and other life insurance contracts issued by the Group, the valuation discount rate is adjusted for changes in the fair value of the investments backing the contracts. Changes in the value of all insurance contract and investment contract liabilities are included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Group intends to sell in the short term or that it has designated at fair value through profit or loss. Loans and receivables include "cash and cash equivalents", "insurance and other receivables" and "loans".

(iii) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

(iv) Recognition, measurement, derecognition and disclosure

Purchases and sales of 'regular way' financial instruments are recognised on trade date, which is when the Group commits to purchase or sell the assets. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or when the financial assets have been transferred, together with substantially all the risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit and loss are recognised immediately in profit or loss.

After initial recognition, the Group measures financial assets, designated at fair value through profit or loss, and as available-for-sale, at fair value without any deduction for transaction costs it may incur on their disposal. Loans are measured at amortised cost using the effective interest method less accumulated impairment losses.

Changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise, including interest income and dividend income from such assets.

Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in the fair value of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair value of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (continued)

(v) Derivative financial instruments

Derivative financial instruments are categorised as held for trading measured at initial recognition, and subsequently, at fair value and changes in fair value are recognised in profit or loss. Transaction costs incurred in buying and selling derivative instruments are recognised in the profit and loss account when incurred.

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

(vi) Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. With the adoption of FRS 113 'Fair value measurement' ("FRS 113"), the quoted market price at the close of trading is adopted for all equity investments. In the prior year, the Group utilised bid prices for its listed financial instruments in accordance with FRS 39 'Financial Instruments: Recognition and Measurement' ("FRS 39").The bid price has been adopted for all fixed income investments. Unquoted fixed income securities are valued at bid prices quoted by banks, inclusive of accrued interest. The change in valuation inputs is considered to be a change in estimate in accordance with FRS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' ("FRS 8") and is applied prospectively.

The fair value of a derivative financial instrument is determined by reference to its quoted price if quoted prices are regularly available from an exchange, dealer, or broker and there are regularly recurring market transactions in the instrument. The fair value of options is determined using option pricing techniques.

(vii) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(o) Impairment of assets

Financial assets carried at amortised costs

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulty of the issuer or debtor, probability that the issuer or debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2(o)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the equity available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

Impairment of non-financial assets

Intangible assets, property, plant and equipment and investments in subsidiaries, joint ventures and associated companies are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is credited to profit or loss.

(p) Insurance and other receivables

Insurance and other receivables include outstanding premiums, trade receivables, accrued interest receivable from fixed deposits with banks and other receivables. These are recognised initially at fair value and subsequently measured at amortised cost less accumulated impairment losses.

(q) Cash and cash equivalents

Cash and cash equivalents comprise bank balances and fixed deposits held with banks which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial liabilities

Borrowings

Borrowings within the scope of FRS 39 are recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. The Group determines the classification of its borrowings at initial recognition.

Borrowings are recognised initially at fair value plus, in the case of a borrowing not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the borrowing.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains or losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A borrowing is derecognised when the obligation under the borrowing is extinguished. When an existing borrowing 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 an extinguishment of the original borrowing and the recognition of a new borrowing. The difference between the carrying amount of a borrowing extinguished shall be recognised in profit or loss.

Insurance and other payables

Insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Share capital and treasury shares

All paid-up shares are participating shares and are classified as equity. Although they do not qualify as equity based on the presentation requirements of FRS 32 'Financial Instruments: Presentation' ("FRS 32"), the Co-operative has classified the shares as equity as there is a minimum paid-up capital requirement under the Insurance Valuation and Capital Regulations 2004. All shareholders are entitled to redeem their shares at the par value of $10 each or the net asset value of the Group based on the last balance sheet date, whichever is lower.

Dividends on participating shares are recognised in the Statement of Changes in Equity in the year in which they are declared and approved for payment.

The consideration payable for the purchase by the Group of its own shares is treated as treasury shares at balance sheet date, and shown as a deduction from shareholders' fund in the Statement of Changes in Equity.

(t) Dividends to the Co-operative's shareholders

Dividends to the Co-operative's shareholders are recognised when the dividends are approved for payment.

(u) Other provisions

Provisions other than insurance contract provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. When the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Notes to the Financial Statements

For the financial year ended 31 December 2013

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Operating leases

Lessor – Operating leases

Leases of investment properties which the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Lessee – Operating leases

Leases of investment properties where substantially all risk and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives given from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Insurance Contract Provisions for Life Insurance

The insurance contract provisions for Life insurance are computed in accordance with the applicable regulatory principles using a prospective approach.

The provisions comprise the following liabilities:

– expected future net payments for guaranteed benefits
– expected future net payments for non-guaranteed benefits (if any)
– provision for adverse deviation from the expected experience

Valuation Methodology

Assumptions

Liabilities are computed using the prospective cash flow method. The areas where assumptions have been applied are:

– Mortality and morbidity (if applicable)
– Persistency
– Discount rate
– Management expenses
– Bonuses (for Life Insurance Par Fund only)

Mortality and Morbidity

A detailed review of the Group's mortality and morbidity experience by plan types and by underwriting types is conducted annually. Based on the results of the review, the Group's Appointed Actuary has formed an opinion with regard to the expected future mortality and/or morbidity experience. The Group also uses published mortality and/or morbidity tables for plans that have no historical experience. A provision for adverse deviation (PAD) is also made based on the types of product.

Persistency

A detailed review of the Group's persistency experience by plan types and channels is conducted annually. The Group tries to balance past experience and future conditions by setting best-estimate assumptions in line with expected long term average persistency levels. For new plans with no historical experience, the Group uses industry experience or the experience on similar plan types as a basis or assumes full persistency, whichever is deemed more appropriate as the best-estimate assumptions.

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for Life Insurance (continued)

Valuation Methodology (continued)

Discount Rates

The discount rates used in the Life Insurance Non-Par Fund are derived from the yields of Singapore Government Securities. The discount rates used in the Life Insurance Par Fund are derived based on the expected prospective long-term investment outlook. This is based on the expected investment returns of assets backing the liabilities of the Par Fund and it is determined in conjunction with the investment managers and the Investment Committee.

Expenses

The Group reviews and determines the management expense assumptions regularly based on past experience and future business direction of the Group. The expense inflation assumption is the expected long term inflation rate and is based on published inflation rates by the Department of Statistics of Singapore.

Future Bonuses

The Group conducts a bonus review of the Life Insurance Par Fund annually. Bonuses are declared based on the results of the review which takes into consideration the past investment, mortality and/or morbidity, persistency, and management expense experiences. The goal of the review is to ensure bonuses paid are equitable and sustainable based on the Appointed Actuary's expected prospective outlook of the Life Insurance Par Fund. The reasonable expectations of policyholders are also taken into consideration when determining the amount of bonus to be declared.

Assumption table

The table below shows the assumptions used in the valuation of provision for future participating and non-participating benefits in the Life Insurance Par Fund and Life Insurance Non-Par Fund.

At 31 December 2013

Assumptions	Life Insurance Fund
Interest Rate	MCL*: Risk Free Rates from Year 1 to Year 20, Long Term Rates thereafter PL*: Flat yield of 5.00%
Provision for adverse deviation (PAD)	87.5% of C1* (Insurance Risk charge) PAD
Lapse / Surrender Rate	0.0% to 11.0% depending on type of product
Selling Expense	Based on current commission structure
Management Expense	Par: Initial expense ranging from $35 to $280 and Renewal expense ranging from $6 to $88 per policy Non-Par: Initial expense ranging from $40 to $95 and Renewal expense ranging from $7 to $16 per policy
Inflation Rate	2.50%
Non-guaranteed future bonus	2013 Bonus Rates
Mortality (Death & TPD)	Par: 65% to 100% of S9702M/F Non-Par: 94% to 137% of S9702M/F or Singapore Population Rates or ESTender07 Incidence Rates with mortality improvement, whichever is the appropriate mortality table
Mortality / Morbidity Rate (Death, TPD & Dread Disease)	Par: Adjusted Mortality / Morbidity Table compiled by the Monetary Authority of Singapore Non-Par: 72% to 81% of ESTender07 Incidence Rates for Eldershield and Eldershield Supplement
Mortality Rate (Annuities)	Adjusted a(90) mortality table with age reduction and mortality improvement

* Note:

C1 – Component 1 Requirement, per Statutory Returns Form 21

MCL – Minimum Condition Liability; PL – Policy Liability valuation bases

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for Life Insurance (continued)

Effect of Changing Assumptions Used for Life Liability Valuation

For the valuation as at 31 December 2013, the Group has updated the liability valuation assumptions as compared to 1 January 2013 valuation assumptions. The impact of the changes in the valuation assumptions is in the table shown below:

Life Insurance Par Fund

Changes	Change in insurance contract provision for guaranteed benefits ($'000)	% Increase / (decrease) in insurance contract provision for guaranteed benefits*
Change in distribution cost loading assumptions	1,336	0.0%
Change in mortality assumptions	(120,631)	-1.0%
Change in annuity mortality assumptions	5,389	0.0%
Change in lapse assumptions	(40,482)	-0.3%
Change in BE interest rates	322,109	2.5%
Change in management expense assumptions	40,696	0.3%
Update of Risk Free Rates to 31 Dec 2013	(6,363)	-0.1%

* The insurance contract provision for guaranteed benefits is used to illustrate the effect of changing assumptions used for life liability valuation instead of using the entire insurance contract provision because the entire contract provision is currently the policy assets of the fund.

Life Insurance Non-Par Fund

The Group has updated the liability valuation assumptions as compared to 1 January 2013. The impact of the changes in the valuation assumptions is shown in the table shown below:

Changes	Change in insurance contract provision for guaranteed benefits ($'000)	% Increase / (decrease) in insurance contract provision for guaranteed benefits
PAD assumptions change	(97,663)	-6.6%
Change in lapse assumptions	9,729	0.7%
Change in management expense assumptions	3,607	0.2%
Update of Risk Free Rates to 31 Dec 2013	22,538	1.5%

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance

The insurance contract provisions for General Insurance comprise claims and premium liabilities and are computed in accordance with sound actuarial principles and regulatory guidelines.

These liabilities comprise:

– best estimate of the premium liabilities;
– best estimate of the claims liabilities; and
– margins for adverse deviation to ensure a 75% probability of adequacy.

Valuation methodology

Standard actuarial techniques are used to project the provision for claims and loss adjustment expenses and provision for unexpired risk ("claim liabilities and premium liabilities"). These methods include the Chain ladder and Bornhuetter Ferguson model.

The valuation process involves using the Group's claims and policy data to estimate future claims experience. These insurance liabilities have been derived on a gross basis and are subsequently adjusted for reinsurance and other recoveries for a net basis.

Assumptions

The key assumptions of the actuarial valuation models include:

– chain ladder claim development factors
– loss ratios
– expense ratios
– reinsurance recovery ratio

These assumptions are derived based on the Group's historical and emerging underwriting experience.

For the valuation as at 31 December 2013, the basis of liability valuation assumptions has not been changed as compared to previous annual valuation.

Effect of Changing Assumptions used for General Insurance

Changes	Change in Gross Claim Liability ($'000)	% Increase / (decrease) in Gross Claim Liability
Change in assumptions	(47,163)	-12.7%
– Change in experience	(68,151)	-18.3%
– Change in ICD assumption	19,580	5.3%
– Change in BF assumption	5,042	1.4%
– Change in discounting	(4,005)	-1.1%
– Change in Recovery Rate	371	0.1%

The table above summarises the effect of changing assumptions has on 2012 and prior accident years claim liabilities where comparisons can be made to last year's year end liability valuation. The claim liabilities are gross of reinsurance recoveries but net of non-reinsurance recoveries and it is inclusive of claims handling expenses and provision for adverse deviation. Change in the experience, assumptions used in Incurred Chain Ladder (ICD) method, Bornhuetter Ferguson (BF) method, discounting and recovery rate have changed the liabilities by -$68.2 million, $19.6 million, $5.0 million, -$4.0 million and $0.4 million respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance (continued)

Margins for adverse deviation

In accordance with the insurance regulations, the insurance liabilities include a risk margin to ensure a 75% probability of adequacy.

The risk margin is determined to allow for the uncertainty and volatility of the claims experience. Effects of diversification are also allowed for at the fund level.

Discounting

The insurance liabilities have been discounted using risk free rates derived from the yields of the Singapore government bonds of appropriate term.

Gross liabilities

The gross claims liability as at 31 December 2013 is $527 million (2012: $514 million) as compared to net claims liability of $499 million (2012: $486 million).

The premium liability on gross basis is $167 million (2012: $173 million) as compared to net premium liability of $166 million (2012: $171 million).

Development and movement of general insurance claim liabilities

Below is the summary of the development of past years' gross claims liabilities as at this year's valuation:

$'000

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Claims development table 2013														
Accident year														
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	175,745	246,049	244,656	212,240	212,084	219,707	220,631	
1 year later	140,852	189,434	197,057	201,873	198,300	175,776	196,521	240,920	226,472	186,768	196,745	216,590		
2 years later	142,216	185,858	189,914	196,892	197,168	172,310	194,974	235,024	222,855	177,787	190,208			
3 years later	140,546	185,424	191,627	195,433	195,546	174,119	193,230	233,214	215,323	171,039				
4 years later	140,205	182,769	191,504	190,751	193,766	172,861	194,115	228,141	212,516					
5 years later and beyond	139,270	181,784	189,611	189,954	192,500	171,371	193,616	226,017						
Estimate of gross cumulative claims	139,270	181,784	189,611	189,954	192,500	171,371	193,616	226,017	212,516	171,039	190,208	216,590	220,631	2,495,107
Cumulative claim payments	139,261	181,645	189,466	189,620	191,486	169,180	189,388	216,135	189,769	140,035	121,397	109,936	64,291	2,091,609
Estimate of gross claim liabilities	9	139	145	333	1,014	2,191	4,228	9,882	22,747	31,005	68,811	106,654	156,340	403,498
Claims handling expenses	0	0	0	(1)	(4)	(19)	(31)	(83)	(185)	(284)	(786)	(1,573)	(2,622)	(5,588)
Best estimate of gross claim liability before recoveries	2	26	27	62	187	402	777	1,814	4,177	5,687	12,593	19,452	28,456	73,662
Estimated gross claim liabilities for prior accident years	11	165	171	394	1,197	2,574	4,974	11,613	26,739	36,408	80,618	124,534	182,174	471,572
Recoveries and other adjustments														(2,686)
Provisions for adverse deviation														58,275
Gross claim liabilities														527,161

Notes to the Financial Statements

For the financial year ended 31 December 2013

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance (continued)

Development and movement of general insurance claim liabilities (continued)

Below is the summary of the development of past years' net claims liabilities as at this year's valuation:

($'000)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Claims development table 2013														
Accident year														
End of accident year	126,484	174,462	207,423	213,761	207,921	161,514	170,211	232,650	226,742	197,095	195,975	205,790	207,360	
1 year later	136,079	183,014	190,378	198,523	192,392	170,240	185,819	223,280	210,311	172,582	184,283	203,562		
2 years later	137,396	179,559	186,763	191,026	190,960	162,926	180,698	218,253	205,928	166,526	178,766			
3 years later	135,782	182,347	185,918	189,279	184,896	161,370	179,441	215,500	201,684	160,751				
4 years later	137,879	177,324	185,474	180,363	179,578	160,525	179,372	213,690	199,733					
5 years later and beyond	135,121	176,060	179,285	176,045	178,764	158,354	181,352	212,422						
Estimate of net cumulative claims	135,121	176,060	179,285	176,045	178,764	158,354	181,352	212,422	199,733	160,751	178,766	203,562	207,360	2,347,575
Cumulative net claim payments	135,113	175,929	179,149	175,732	177,811	156,295	177,378	203,134	178,354	131,611	114,094	103,323	60,424	1,968,347
Estimate of net claim liabilities	9	131	136	313	953	2,059	3,973	9,288	21,379	29,140	64,672	100,239	146,936	379,228
Claims handling expenses	0	0	0	(1)	(4)	(19)	(31)	(83)	(185)	(284)	(786)	(1,573)	(2,622)	(5,588)
Best estimate of net claim liability before recoveries	2	26	27	62	187	402	777	1,814	4,177	5,687	12,593	19,452	28,456	73,662
Estimated net liabilities for prior accident years	10	156	162	374	1,136	2,442	4,720	11,019	25,370	34,543	76,479	118,118	172,770	447,299
Recoveries and other adjustments														(2,776)
Provisions for adverse deviation														54,734
Net claim liabilities														499,257

Fair value of financial instruments

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices or on service providers' internally developed models that are based on independently sourced market parameters, including interest rate yield curves, option volatilities and currency rates.

The Group's fair value policies are approved by the Investment Committee with oversight by the Board. Management exercise judgement in determining the risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors used in the valuation process. Judgement may also be applied when less readily observable external parameters are used in fair value estimation.

Impairment assessment of investment in associated company

At the balance sheet date, the Group's investment in associated company, NTUC Choice Homes Co-operative Ltd ("Choice Homes") has a carrying amount of $126,077,000 (2012: $110,210,000) which is above its share redemption value of $20,000,000. As Choice Homes is a co-operative, its By-Laws state that the redemption value of its share shall not be more than the nominal value of the shares or the net asset value of the shares based on the last audited balance sheet, whichever is lower. The Group is of the view that the value of Choice Homes will be returned in the long term. This position will be reviewed from time to time and the Group will consider, among other factors, regular dividend payout made and the future plans of Choice Homes.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

(a) Life Insurance Contracts Risk Management

Insurance Risk in Life Funds

The Group is exposed to life insurance risk when it signs a contract with the insured party for a premium amount and in return promises to pay a sum of money if a specified event occurs within the time frame stipulated in the contract. The terms of acceptance of the risks by the Group are generally long term in nature (except when they are group or health insurance plans, which are usually on an annual basis). These risks accepted by the Group are mortality risk, morbidity risk, longevity risk and investment risk.

Terms and Conditions of Life Insurance Contracts

The majority of the individual life insurance contracts plans written in the Par Fund are long term participating policies consisting of Whole Life Plans, Endowments and Annuities. In writing these plans, the Group takes on mortality, morbidity, longevity, and investment risks. The eventual payment to the policyholders typically consists of a guaranteed amount (the sum assured) and a non-guaranteed component distributed via annual reversionary (if any) and final terminal bonuses (if any). Once declared, annual bonuses become a fully guaranteed liability, although the Group has the discretion to reduce future reversionary and terminal bonuses if experience is unfavourable. Payment occurs upon death, occurrence of specific morbidity, surrender or survival of the policyholder, depending on the type of policy.

The Non-Par Fund consists of pure insurance protection plans, such as ElderShield, Dependent Protection Scheme (DPS) and Group & Health contracts. Both ElderShield and DPS provide long term contracts. The Group and Health contracts are usually on a negotiable and yearly renewable basis. Protection values are payable upon death, disability, and hospitalisation of the policyholders.

Objectives of managing life insurance risks and the policies for mitigating risks

Life insurance risks arise through exposure to mortality, morbidity, persistency and any unforeseen expenses.

The Group has implemented underwriting and claims management guidelines and procedures to manage its life insurance risks. It also considers its reinsurance coverage and risk appetite to manage its overall risk exposure.

Mortality risks are selected through underwriting and appropriate premiums are charged based on the level of risks that applicants bring in. The mortality tables used for pricing are based on the Group's best estimates from its annual experience studies. The levels of mortality risks are determined by age, gender, and underwriting experience. For applicants that have mortality risks higher than the Group's tolerance level, these risks will be ceded to the reinsurance companies.

The Life Insurance Non-Par Fund is made up of both group and individual contracts. For death and morbidity covers, the Group transfers insurance risk in excess of its retention limit to its appointed reinsurers on a per contract basis. To manage concentration of insurance risks as a result of a single event, the Group obtains catastrophic reinsurance that limits its maximum overall exposure.

As most of the life insurance contracts are written locally, there is a concentration of geographical risk in Singapore. This risk is managed through prudent underwriting and appropriate reinsurance strategies.

Lapse rate is evaluated in a prudent manner through the pricing of new products, product design, and regular monitoring of persistency reports and procedures for recovery.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(a) Life Insurance Contracts Risk Management (continued)

Objectives of managing life insurance risks and the policies for mitigating risks (continued)

Mortality risk is also managed through appropriate claim management systems that help to identify fraudulent claims. The results of yearly experience reviews of mortality, longevity and persistency are used to decide on the bases for reserving and pricing of products. Inevitably, there remains uncertainty about future longevity and persistency that cannot be removed.

Sensitivity Analysis

(i) Life Insurance Par Fund

To understand the risks undertaken by the Group in the Life Insurance Par Fund, the following sensitivity analysis is done to measure the impact on the Group's non-guaranteed benefit liabilities.

		2013		2012	
Assumption	Change	Impact On Non-Guaranteed Benefit Liabilities $'000	Impact On Non-Guaranteed Benefit Liabilities %	Impact On Non-Guaranteed Benefit Liabilities $'000	Impact On Non-Guaranteed Benefit Liabilities %
Interest rates	+100 bps	**1,183,059**	**10.4%**	1,064,439	9.3%
	-100 bps	**(1,627,794)**	**-14.4%**	(1,432,305)	-12.5%
Mortality / morbidity / longevity					
– life insurance contracts, excluding annuities	+20%	**(373,468)**	**-3.3%**	(358,166)	-3.1%
	-20%	**385,482**	**3.4%**	360,972	3.2%
– annuities contracts	Mortality Improvement of 1 Year	**(32,765)**	**-0.3%**	(29,674)	-0.3%
	Mortality Deterioration of 1 Year	**32,981**	**0.3%**	29,853	0.3%
Lapses	+20%	**(361,737)**	**-3.2%**	(361,975)	-3.2%
	-20%	**397,438**	**3.5%**	398,570	3.5%

The non-guaranteed benefit liabilities in the sensitivity analysis represent the value of future bonus and transfers. Assuming policy assets remain the same, a dollar reduction in the guaranteed benefit liabilities results in an additional dollar available for future bonus and transfer. If interest rates are increased by 100 bps, the non-guaranteed benefit liabilities are increased by 10.4% (2012: 9.3%). This would mean that future bonus and transfers may be increased by 10.4% (2012: 9.3%).

The changes in the assumptions are applied to all future cash flows.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(a) Life Insurance Contracts Risk Management (continued)

Sensitivity Analysis (continued)

(ii) Life Insurance Non-Par Fund

To understand the risks undertaken by the Group in the Life Insurance Non-Par Fund, the following sensitivity analysis is done to measure the impact on the Group's benefit liabilities.

		2013		2012	
Assumption	Change	Impact On Liabilities $'000	Impact On Liabilities %	Impact On Liabilities $'000	Impact On Liabilities %
Interest rates	+100 bps	**(282,705)**	**-19.1%**	(267,272)	-19.7%
	-100 bps	**464,014**	**31.3%**	459,060	33.8%
Mortality / morbidity	ElderShield: +11.1% Morbidity DPS: +5% Mortality G&H: +20% Morbidity	**122,474**	**8.3%**	138,704	10.2%
	ElderShield: -11.1% Morbidity DPS: -5% Mortality G&H: -20% Morbidity	**(86,122)**	**-5.8%**	(126,850)	-9.3%
Lapses	Eldershield: +50 bps DPS: +50 bps	**(12,601)**	**-0.9%**	(24,891)	-1.8%
	Eldershield: -50 bps DPS: -50 bps	**13,659**	**0.9%**	27,233	2.0%

For the Life Insurance Non-Par Fund, the analysis is done with respect to the liabilities of the fund. If interest rates increase by 100 bps across the board, the value of liabilities decreases by $283 million (2012: $267 million), and a corresponding amount will be recognised as surplus.

Considerations of non-guaranteed benefits do not arise in the Non-Par Fund, as all the product benefits written in this fund do not contain discretionary features.

(b) General Insurance Contracts Risk Management

General Insurance Risks

Insurance contracts transfer risk to the Group by indemnifying the policyholders against adverse effects arising from the occurrence of specified uncertain future events. The insurance risks arise from the fluctuations in the timing, frequency and severity of claims, as well as the adequacy of premiums and reserves.

The majority of the general insurance business is motor insurance. Other insurance business includes travel, worker's compensation, fire, marine and other miscellaneous classes.

Terms and Conditions of General Insurance Contracts

The General Insurance contracts written by the Group are mostly on an annual coverage and annual premium basis, with the exception of short term policies such as Travel Insurance which cover only the travel period and Marine Cargo which covers the duration in which the cargo is being transported. Some of the more common policies which make up a large part of the general insurance portfolio are briefly described as follows:

Motor Insurance policies cover private cars, commercial vehicles, motorcycles, buses and taxis. Private cars, the largest portion of the motor portfolio, covers losses or damages to the insured vehicle, death or injuries to third parties, damages to third party property and personal accident.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) General Insurance Contracts Risk Management (continued)

Terms and Conditions of General Insurance Contracts (continued)

Personal Accident policies cover death, disablement, medical expenses and emergency evacuation expenses due to accident, hijacking, murder, assault, strike, riot, civil commotion, act of terrorism and natural disasters such as earthquake and flood.

Workmen Compensation policies cover 2 legal liabilities. Firstly, the "Act" provides compensation to workers or their dependants for specified occupational diseases, personal injuries or deaths caused by accidents arising out of and in the course of employment. Secondly, "Common Law" covers an employer's liability under common law to his workers, due to negligence leading to an accident resulting in death or injury.

Fire Insurance policies insure properties against physical losses or damages by fire and lightning and extraneous perils such as riot & strike, malicious damage, explosion, aircraft damage, impact damage, bursting & overflowing of water pipes, flood, earthquake, volcanic eruption, hurricane, cyclone, typhoon or windstorm.

Objectives of managing risks and policies for mitigating risks

The objectives of managing insurance risks are to enhance the long-term financial performance of the business and limit any excessive variability of the insurance results.

Underwriting insurance contracts involves the pooling of a large number of uncorrelated risks to reduce relative variability. The Group adopts the following measures to manage the general insurance risks:

- underwriting standards – to select risks and control exposure in accordance to established guidelines.
- claims control – to pay claims fairly and control claim wastage or fraud.
- pricing and reserving standards – to ensure adequate pricing for risks and valuation of insurance liabilities.
- reinsurance protection – to limit exposure to large insurance contracts and large claims.

Concentration risk is particularly relevant in the case of natural disasters and other catastrophes. The Group's insurance contracts mostly cover perils and risks in Singapore. As such, the Group's concentration risk is negligible as Singapore is hardly exposed to natural disasters.

Perils like floods, epidemics and terrorism do present a level of variability and correlation in the future claim experience but these concentration of risks are protected by event excess of loss reinsurance. In addition, these risks are not material given the likelihood of such events.

Geographically our risks are concentrated in Singapore. Concentration risk arising from natural catastrophes is negligible as the exposure to natural disasters in Singapore is minimal from historical experience. 80% of the Group's general insurance portfolio is motor insurance with risks well diversified across private cars, commercial vehicles, motorcycles, buses and taxis.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) General Insurance Contracts Risk Management (continued)

Sensitivity Analysis

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from the estimation. The table below gives an indication of the sensitivity of the claim liabilities:

		2013		2012	
Assumption	Change	Impact on Net claim liabilities $'000	Impact on Net claim liabilities %	Impact on Net claim liabilities $'000	Impact on Net claim liabilities %
Assumed loss ratio for Bornhuetter Ferguson method	+20%	**46,885**	**9%**	42,256	9%
	-20%	**(46,885)**	**-9%**	(42,256)	-9%

(c) Financial risk

The Group has to meet substantial long term liabilities to policyholders for claims and maturity payments and to ensure that adequate liquidity is available to meet short term claims, solvency margin and capital adequacy for existing and new business. The Group invests in a variety of market instruments such as bonds and quoted and unquoted equities which expose the Group to a number of risks such as interest rate, liquidity, currency, market and credit risks.

The management of these risks lies with the Risk Management and Investment Committees. The Risk Management Committee sets the policy and framework for the risk management function and reviews its appropriateness regularly. The administration of the financial risk management process is delegated to the senior management of the Group. Primarily, the risk management process focuses on mitigating the risks due to uncertainties of the financial market to minimise the adverse impact of these risks on the financial performance of the Group. A key aspect of risk management is matching the timing of cash flows from assets and liabilities. The Investment Committee sets the strategic asset allocations that is consistent with the asset/liability management strategies and approves investment guidelines and limits.

The Group's investment objective is to ensure that it is able to meet future liabilities associated with the insurance products that it underwrites and produce stable and sustainable medium to long term returns on investments, while at the same time, preserving the solvency of the Group.

Disciplined risk control is an integral part of the Group's investment process. Well established and liquid market indices are employed as the benchmarks to ensure diversification across geography, sector, industry and security. In addition, the Group makes use of limits and guidelines to control the risks in the areas of country, sector, duration, currency, credit quality and single security exposure.

(i) Market risk

Market risk is the risk of loss arising from uncertainty concerning movements in market prices and rates, including observable variables such as interest rates, exchange rates, and others that may be only indirectly observable such as volatilities and correlations. Market risk includes such factors as changes in economic environment, consumption pattern and investor's expectation etc. which may have significant impact on the value of the investments.

The Group's investments are substantially dependent on changes in interest rates and equity prices.

The Group regularly monitors its exposure to different asset classes to satisfy itself that its exposure to equities, debt securities, and other risk assets are within the Group's self-imposed risk tolerance limits.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

The Group distinguishes market risk as follows:

(a) Equity price risk
(b) Interest rate risk
(c) Foreign exchange risk

(a) Equity price risk

The Group is exposed to equity price risk arising from investments held which are classified as fair value through profit or loss. These securities are listed in recognised exchanges under the Morgan Stanley Composite Index ("MSCI") purview.

The Group monitors equity exposure against a benchmark set and agreed by the Investment Committee, and has a process in place to manage the exposure. This process includes monitoring the country, sector, single security exposure of the portfolio against the limits set.

The Group also formulates equity risk management strategy taking into account the full range of the Group's equity holdings. The Group's investments in equities are substantially in Asia.

The statistical risk analytic tools used by the Group to monitor price risk exposures are the volatility of the benchmark and beta of the portfolio. In this analysis, equity and index exposures are grouped by appropriate market indices, as determined by the Group, and the net beta adjusted exposures to each market index are calculated.

The Group has chosen the MSCI Singapore, MSCI Asia Ex-Japan and MSCI Global indices as representative market indices for all the equities held at balance sheet date. In addition, the Group makes adjustments or assumptions where it determines this to be necessary or appropriate. Historical statistics used in the model may not accurately estimate future changes particularly in periods of market turmoil. Actual results may differ substantially from these estimates.

Sensitivity analysis for changes in risk variable that was reasonably possible at year end is as follows:

	Impact on net operating surplus	
	2013 $'000	**2012 $'000**
MSCI Singapore		
+14% (2012: +15%)	**403,732**	399,058
-14% (2012: -15%)	**(403,732)**	(399,058)
MSCI Asia ex Japan		
+15% (2012: +18%)	**322,859**	353,841
-15% (2012: -18%)	**(322,859)**	(353,841)
MSCI Global Equities		
+10% (2012: +12%)	**117,857**	103,301
-10% (2012: -12%)	**(117,857)**	(103,301)

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk

The Group is exposed to interest rate risk primarily through investments in fixed income securities by the Insurance Funds and policy liabilities in those Funds which are guaranteed.

The presence of interest rate risk is the result of not holding assets that match policy liabilities fully. The interest rate risk arising from asset-liability tenure mismatch is actively managed and monitored by various departments within the Group, including the Investment Committee and Appointed Actuary.

Interest rate risk are managed by the Group on an ongoing basis with the primary objective of limiting the extent to which solvency can be affected by an adverse movement in interest rates.

The Group reduces interest rate risk through the close matching of assets and guaranteed liabilities of Insurance Funds. In this respect, the Group uses derivative instruments, including interest rate and cross currency swaps, to reduce interest rate risk with the aim of facilitating efficient portfolio management.

The long duration of policy liabilities in the Insurance Funds and the uncertainty of the cash flows of the said Funds mean interest rate risk cannot be completely eliminated, except to match guarantees as much as possible.

The Group's approach is to extend the duration of assets to better match the duration of liabilities. This is achieved by allocating assets to long-dated bonds as well as the use of derivatives such as interest rate swaps. The entire participating funds' fixed income portfolio is consolidated into a single pool to be matched in principle against the Minimum Condition Liability of the Participating Fund, allowing greater investment flexibility.

The remaining liabilities are backed by equities, fixed income securities, loans and investment properties with a view to maximise long term returns subject to acceptable volatility in market value.

Investment Linked Fund's liabilities are fully matched by the assets held in the respective investment linked policies sub-funds. The interest rate risk is wholly borne by the policyholders.

Shareholders' Fund has exposure to fixed income investments, which will be subject to mark-to-market valuation.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk (continued)

A study of fixed income securities' yield movement during the previous periods has been undertaken and a 100 bps change in yield across the different curves is considered to be a reasonable basis for interest rate sensitivity analysis. The table below summarises the impact on net operating surplus based on a 100 bps parallel shift in the yield curves.

Sensitivity analysis for changes in risk variable that was reasonably possible as at year end is as follows:

	Impact on net operating surplus	
	2013 $'000	2012 $'000
Parallel shift in yield curves		
+100 bps	**(968,690)**	(965,142)
-100 bps	**1,073,170**	1,016,355

(c) Foreign currency risk

Policy on foreign currency risk management

The Group operates mainly in Singapore, with over 99% of its insurance liabilities denominated in Singapore Dollars.

The Group mitigates the potential foreign currency risks arising from its investment in financial assets through hedging. The potential foreign currency risks arising from the investment in foreign currency denominated bonds are hedged back into Singapore Dollars using foreign exchange forward contracts and currency swaps.

The following table presents the Group's exposures to major foreign currencies, presented in Singapore Dollars equivalent amounts as at:

2013 Assets	USD $'000	EUR $'000	HKD $'000	KRW $'000	Others $'000
Investments					
– Equities	451,070	94,529	855,391	469,970	946,473
– Debt securities	2,940,924	263,243	–	2,566	192,139
– Funds	1,249,953	93,592	10,098	–	101,493
– Investment debtors	27,640	–	355	–	13
Cash and cash equivalents	81,233	11,333	680	814	8,077
Liabilities					
– Investment Creditors	(88,096)	(12,645)	–	–	(150)
Total	4,662,724	450,052	866,524	473,350	1,248,045
Less:					
Derivative contracts (net currency exposure)	(4,524,071)	(435,687)	(883,474)	(476,672)	(1,253,897)
Net foreign currency risk exposure	138,653	14,365	(16,950)	(3,322)	(5,852)

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

Policy on foreign currency risk management (continued)

2012 **Assets**	USD $'000	EUR $'000	HKD $'000	KRW $'000	Others $'000
Investments					
– Equities	359,292	76,503	821,065	482,237	758,006
– Debt securities	2,566,700	289,764	–	–	174,772
– Funds	946,343	62,250	–	–	18,541
– Investment Debtors	42,435	79	–	2,133	3,231
Cash and cash equivalents	105,951	9,192	8,375	4,738	38,864
Liabilities					
– Investment Creditors	(80,292)	–	(2,597)	(1,840)	(6,075)
Total	3,940,429	437,788	826,843	487,268	987,339
Less: Derivative contracts (net currency exposure)	(3,665,597)	(425,510)	(786,515)	(471,490)	(1,107,856)
Net foreign currency risk exposure	274,832	12,278	40,328	15,778	(120,517)

The Group's foreign currency risk exposure is closely tracked and the net exposure is minimised through monthly rebalancing.

Based on monthly volatilities, management estimates ±2% (2012: ±2%) change in the relevant currency risk to be reasonably possible at the balance sheet date.

Sensitivity for changes in risk variable that was reasonably possible at year end is as follows:

Currency	**Risen / lowered by**	**Impact on net operating surplus**	
		31 December 2013 $'000	31 December 2012 $'000
EUR	**2%** (2012: 2%)	**287**	246
USD	**2%** (2012: 2%)	**2,773**	5,497
HKD	**2%** (2012: 2%)	**(339)**	807
KRW	**2%** (2012: 2%)	**(66)**	316

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(ii) Credit risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Group's primary exposure to credit risk is through its investments in fixed income securities, lending activities such as corporate loans and consumer loans and potential obligations of reinsurers arising out of reinsurance arrangements.

The Investment Committee manages credit risk associated with investments in fixed income securities through setting of investment policy and credit exposure limits, as well as approving credit risk management methodologies.

Evaluation of an issuer's or counterparty's credit risk is undertaken by credit analysts. Monitoring of credit and concentration risk is carried out by the Investment Compliance Division.

The credit risk of the Insurance Funds' fixed income securities investments is actively managed by the Investment Department to ensure adherence to credit limits by issuer or counterparty and by credit rating bucket limits.

Overall 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.

The corporate loans in the portfolio are generally secured by commercial real estate, thus mitigating credit risk. Evaluating and monitoring of credit risk arising from such lending activities is undertaken by credit analysts. Valuation of the corporate loans' collateral is carried out periodically. The carrying amount of past due or impaired corporate loans on 31 December 2013 is nil (2012: $0.144 million).

The consumer loan portfolio as at 31 December 2013 amounts to $39 million (2012: $49 million). This is made up of secured and unsecured loans of which about 97% (2012: 96%) are secured loans.

For the management of credit risk of secured consumer loans, the Group regularly performs a valuation exercise to derive the fair value of the collaterals. The purpose of this exercise is to monitor the Loan to Valuation Ratio. For some loans, the Group may repossess the collateral when the loan defaults.

The Group's credit policy to monitor the default risk on unsecured loans is to engage an external agent to regularly inform the Group if any of the borrowers are currently facing legal actions by other creditors.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(ii) Credit risk (continued)

The following table provides information regarding the carrying value of financial assets that have been impaired and the ageing of financial assets that are past due but not impaired.

As at 31 December 2013

		Financial assets that are past due but not impaired				
	Neither past due nor impaired $'000	Up to 3 months $'000	3 months to 1 year $'000	Greater than 1 year $'000	Total $'000	Financial assets that have been impaired $'000
Debt securities	**19,109,370**	**–**	**–**	**–**	**19,109,370**	**–**
Loans	**694,234**	**11**	**39**	**66**	**694,350**	**540**
Derivatives with positive fair values	**67,526**	**–**	**–**	**–**	**67,526**	**–**
Reinsurers' share of insurance contract provisions	**29,390**	**–**	**–**	**–**	**29,390**	**–**
Insurance and other receivables	**149,986**	**66,911**	**5,731**	**993**	**223,621**	**1,877**
Cash and cash equivalents	**957,767**	**–**	**–**	**–**	**957,767**	**–**

As at 31 December 2012

		Financial assets that are past due but not impaired				
	Neither past due nor impaired $'000	Up to 3 months $'000	3 months to 1 year $'000	Greater than 1 year $'000	Total $'000	Financial assets that have been impaired $'000
Debt securities	19,507,579	–	–	–	19,507,579	–
Loans	1,081,680	72	148	383	1,082,283	1,059
Derivatives with positive fair values	106,792	–	–	–	106,792	–
Reinsurers' share of insurance contract provisions	30,163	–	–	–	30,163	–
Insurance and other receivables	157,190	80,020	1,867	945	240,022	766
Cash and cash equivalents	1,615,313	–	–	–	1,615,313	–

Indicators of impairment is done in accordance to Note 2(o).

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(ii) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the credit ratings of counterparties.

As at 31 December 2013	Investment Grade (AAA to BBB-) $'000	Speculative Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Debt securities	**14,390,641**	**65,675**	**4,653,054**	**19,109,370**
Loans	–	–	**694,350**	**694,350**
Cash and cash equivalents	**957,767**	–	–	**957,767**
Derivatives with positive fair values	–	–	**67,526**	**67,526**

As at 31 December 2012	Investment Grade (AAA to BBB-) $'000	Speculative Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Debt securities	15,766,733	69,171	3,671,675	19,507,579
Loans	–	–	1,082,283	1,082,283
Cash and cash equivalents	1,615,313	–	–	1,615,313
Derivatives with positive fair values	–	–	106,792	106,792

The carrying amount of assets included on the balance sheet represents the maximum credit exposure.

Cash and cash equivalents are placed with banks and financial institutions: (i) which are regulated by the Monetary Authority of Singapore and other regulators overseas; and (ii) whose credit is rated by credit rating agencies.

Ceded reinsurance contains credit risk, and such reinsurance assets are reported after deductions for known insolvencies and uncollectible items. The Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. When selecting its reinsurers, the Group considers their relative financial security. The security of the reinsurer is assessed based on public rating information.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(iii) Liquidity risk

Liquidity risk arises when the Group is unable to meet its obligations at a reasonable cost. The liquidity risk could arise through bad publicity or adverse market conditions leading to unexpected cash demands and huge amount of surrenders. As a result, the Group may have to sell off assets to provide the cash lump sum payment.

The Group maintains a level of cash and cash flow deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash requirements. Liquidity management requires the Group to maintain a liquid position at all times to meet unexpected claims payments when they fall due and simultaneously holding an asset mix which meets the Group's target return. The Group monitors liquidity risk through the monthly tracking of the liquidity position of each insurance fund and through the performance of liquidity stress tests based on the S&P rating standards.

For the Life Participating Fund, the Group manages liquidity risk by matching the asset cash flows to the cumulative outflows in the immediate next five years on an ongoing basis as well as putting in place an asset liability matching strategy. The liquidity risk in the fund is minimised by holding adequate cash and also close monitoring of surrenders and redemptions.

For Non-Participating Fund, the business is managed on an annual cash flow basis ensuring sufficient cash flow of premium as the liability matching strategy and monitoring of the experience to ensure claims can be paid.

For General Insurance Fund, a significant portion of the assets are liquid assets which can be easily liquidated to pay claims.

For Investment Linked Funds, the liabilities and unit prices for transactions fully reflect the market value of assets held in the respective Investment Linked Product sub-funds. A significant portion of the assets are liquid assets which can be easily liquidated to fund liquidation of units by unit-holders.

The table below shows the gross liability including both guaranteed and non-guaranteed benefits (before reinsurance) as at 31 December 2013 based on estimated timing of net cash outflows. Almost all investment contracts may be surrendered. In this case, the earliest contractual maturity date is the balance sheet date. The liability will be the surrender value required if all investment contract policyholders surrender at the balance sheet date.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(iii) Liquidity risk (continued)

As at 31 December 2013	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Long Term business					
– Insurance contracts	**(27,475,446)**	**(3,118,540)**	**(4,745,391)**	**(5,927,103)**	**(13,684,412)**
– Investment contracts	**(32,760)**	**(5,791)**	**(21,022)**	**(5,947)**	**–**
Total	**(27,508,206)**	**(3,124,331)**	**(4,766,413)**	**(5,933,050)**	**(13,684,412)**

As at 31 December 2012	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Long Term business					
– Insurance contracts	(27,586,130)	(2,950,522)	(6,334,607)	(5,431,560)	(12,869,441)
– Investment contracts	(39,267)	(5,899)	(23,987)	(9,381)	–
Total	(27,625,397)	(2,956,421)	(6,358,594)	(5,440,941)	(12,869,441)

The table below shows the undiscounted contractual cash flows in relation to derivative instruments and other payables:

As at 31 December 2013	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Derivative financial instruments	**(100,061)**	**(93,199)**	**(1,139)**	**(3,410)**	**(2,313)**
Insurance and other payables	**(520,706)**	**(488,162)**	**(28,540)**	**(3,869)**	**(135)**

As at 31 December 2012	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Derivative financial instruments	(55,138)	(37,099)	(13,944)	(3,826)	(269)
Insurance and other payables	(679,867)	(643,155)	(31,179)	(5,367)	(166)

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(d) Financial Instruments by Category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 11 and Note 13 to the financial statements, except for the following:

As at 31 December 2013	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Loan & Receivables	**1,414,246**	**206,884**	**100,638**	**95,434**	**58,536**	**1,875,738**
Financial Liabilities	**778,869**	**53,684**	**51,422**	**35,168**	**620,184**	**1,539,327**

As at 31 December 2012	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Loan & Receivables	2,316,508	137,424	71,996	100,281	311,409	2,937,618
Financial Liabilities	527,496	62,035	28,247	39,439	621,304	1,278,521

(e) Capital Management

The Group's capital policy is to ensure capital efficiency and the ability to self-generate sufficient level of surpluses within each fund to support the existing and on-going development. This is especially important given its co-operative status and limited avenues for raising capital.

The Group's capital management framework is to ensure the use of capital and generation of surplus through steering of bonus distribution strategy, investment strategy, product pricing and development and risk management. Critical amongst these is to ensure that products are priced on a profitable basis to self-generate surpluses and bolster capital. To ensure this, minimum pricing standards have been set.

The Co-operative is required to comply with the regulatory capital requirement prescribed in the Insurance (Valuation and Capital) Regulations 2004 under the Insurance Act. Under the Risk-based Capital Framework regulation set by Monetary Authority of Singapore (MAS), Insurance companies are required to satisfy a minimum capital adequacy ratio of 120%. In addition, MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different types of insurers from time to time. As at 31 December 2013, the Co-operative has a capital adequacy ratio in excess of the current requirement.

Regulated capital of the Co-operative as at 31 December 2013 comprised Available Capital of $7.76 billion, Risk Capital of $3.10 billion and Capital Adequacy Ratio of 250%. The amounts as at 31 December 2012 were: Available Capital $7.83 billion, Risk Capital $2.88 billion and Capital Adequacy Ratio of 272%.

(f) Fair value measurements

The following table presents our financial assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) *Fair value measurements (continued)*

As at 31 December 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments designated at fair value through profit or loss				
– Equities	**5,936,644**	**89**	**–**	**5,936,733**
– Funds	**1,078,488**	**–**	**–**	**1,078,488**
– Debt securities	**18,185,347**	**508,276**	**57,420**	**18,751,043**
Available-for-sale investments				
– Equities	**155,071**	**–**	**30,047**	**185,118**
– Funds	**5,421**	**–**	**859,344**	**864,765**
– Debt securities	**334,331**	**23,996**	**–**	**358,327**
	25,695,302	**532,361**	**946,811**	**27,174,474**
Derivative financial instruments	**–**	**67,526**	**–**	**67,526**
	25,695,302	**599,887**	**946,811**	**27,242,000**
Liabilities				
Derivative financial instruments	**–**	**(100,596)**	**–**	**(100,596)**

As at 31 December 2012	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments designated at fair value through profit or loss				
– Equities	5,474,887	–	–	5,474,887
– Funds	663,739	–	–	663,739
– Debt securities	19,032,616	156,560	82,905	19,272,081
Available-for-sale investments				
– Equities	166,968	–	29,364	196,332
– Funds	1,904	–	720,508	722,412
– Debt securities	220,500	14,998	–	235,498
	25,560,614	171,558	832,777	26,564,949
Derivative financial instruments	–	106,792	–	106,792
	25,560,614	278,350	832,777	26,671,741
Liabilities				
Derivative financial instruments	–	(36,066)	–	(36,066)

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the last traded price for equity investments and bid prices for fixed income investments. These instruments are included in Level 1.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. These investments are included in Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

The following table presents the changes in Level 3 instruments:

	Fair value through profit or loss	Available-for-sale investments		
2013	**Debt securities $'000**	**Unquoted funds $'000**	**Unquoted equities $'000**	**Total $'000**
Opening balance	**82,905**	**720,508**	**29,364**	**832,777**
Sales of level 3 securities	**(29,617)**	**(153,665)**	**(166)**	**(183,448)**
Purchases of level 3 securities	**–**	**228,116**	**26**	**228,142**
Revaluation reserve	**–**	**14,797**	**757**	**15,554**
Gains and losses recognised in profit or loss	**4,132**	**49,588**	**66**	**53,786**
Closing balance	**57,420**	**859,344**	**30,047**	**946,811**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**4,132**	**49,588**	**66**	**53,786**

During the financial year ended 31 December 2013, there is no transfer of investments between Level 1 and 2, and in and out of Level 3 of the fair value hierarchy.

	Fair value through profit or loss	Available-for-sale investments		
2012	**Debt securities $'000**	**Unquoted funds $'000**	**Unquoted equities $'000**	**Total $'000**
Opening balance	75,236	650,423	18,044	743,703
Sales of level 3 securities	–	(107,607)	(566)	(108,173)
Purchases of level 3 securities	–	158,596	11	158,607
Revaluation reserve	–	(3,053)	11,311	8,258
Gains and losses recognised in profit or loss	7,669	22,149	564	30,382
Closing balance	82,905	720,508	29,364	832,777
Total gains for the period included in profit or loss for assets held at the end of the reporting period	7,669	22,149	564	30,382

During the financial year ended 31 December 2012, there is no transfer of investments between Level 1 and 2, and in and out of Level 3 of the fair value hierarchy.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investments categorised under Level 3 of the fair value hierarchy which involves significant unobservable inputs:

2013	Fair Value $'000	Classification	Valuation technique	Unobservable Input
Assets				
Debt securities	**57,420**	**FVPL**[(a)]	**Discounted cash flows**	**Default / recovery / prepay / liquidity assumptions**
Unquoted funds	**859,344**	**AFS**[(b)]	**Net Asset Value**	**Net asset value of investment vehicles**
Unquoted equities	**30,047**	**AFS**[(b)]	**Net Asset Value**	**Net asset value of investment entities**
Total	**946,811**			

(a) FVPL denotes financial instruments classified as fair value through profit or loss
(b) AFS denotes financial instruments classified as available-for-sale

Valuation processes of the Group

Valuation of unquoted funds were based on net asset value reports as at 30 September 2013, adjusted for the net cash flows movement from 1 October 2013 till 31 December 2013. If a premium of 5% had been applied, the impact on the valuation would have been $42.97 million.

Valuation of debt securities classified as Level 3 assets is determined based on quotes from dealers, adjusted for liquidity provision. These securities are currently in the process of being wound down.

Valuation of unquoted equities that are co-operatives were valued at cost based on their realisable values as set out in the By-Laws. Other unquoted equities were valued based on net tangible assets of their latest management accounts. If a premium of 3% has been applied, the impact on the valuation would have been $0.9 million.

The carrying value less impairment provision of insurance receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Valuation processes of the Group (continued)

Investment properties

<u>**Life Insurance Par Fund**</u>

	2013 $'000	2012 $'000
Completed investment properties		
At 1 January	**807,071**	940,955
Reclassified to properties under development	**(238,000)**	–
Acquisition of subsidiary (Note 30)	**667,465**	–
Additions	**15,364**	1,092
Disposals	**(1,491)**	(138,602)
Change in net fair value recognised in profit or loss	**28,292**	3,626
At 31 December	**1,278,701**	807,071

	2013 $'000	2012 $'000
Investment property under development		
At 1 January	**–**	–
Reclassified from completed investment properties	**238,000**	
Additions	**8,811**	–
Change in net fair value recognised in profit or loss	**13,189**	–
At 31 December	**260,000**	–

	2013 $'000	2012 $'000
Total		
At 1 January	**807,071**	940,955
Acquisition of subsidiary (Note 30)	**667,465**	–
Additions	**24,175**	1,092
Disposals	**(1,491)**	(138,602)
Change in net fair value recognised in profit or loss	**41,481**	3,626
At 31 December	**1,538,701**	807,071

Investment properties are carried at fair values at the balance sheet date as determined by independent professional valuers.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Valuation processes of the Group (continued)

Investment properties (continued)

Fair value hierarchy

	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) $'000	Significant other observable inputs (Level 2) $'000	Significant unobservable inputs (Level 3) $'000
Life Insurance Par Fund			
Recurring fair value measurements			
Investment properties:			
– Completed Investment properties	–	–	**1,278,701**
– Investment property under development	–	–	**260,000**
Total investment properties	–	–	**1,538,701**

During the financial year ended 31 December 2013, there is no transfer of investments between Level 1 and 2, and in and out of Level 3 of the fair value hierarchy.

Valuation techniques and inputs used in Level 3 fair value measurements

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy which involves significant unobservable inputs:

Description	Fair value at 31 December 2013 ($'000)	Valuation techniques	Unobservable inputs[1]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Investment properties	1,278,701	Income Capitalisation Approach	Estimated rental rate	Retail: $15 to $20 per square foot per month Office/Industrial: $2 to $9 per square foot per month	The higher the rental value per square foot, the higher the fair value.
			Capitalisation rate	3.5% to 6.5%	The higher the capitalisation rate, the lower the fair value.
		Discounted Cash Flow Approach	Rental growth rate	3.0%	The higher the rental growth rate, the higher the fair value.
			Discount rate	6.75% to 7.75%	The higher the discount rate, the lower the fair value.
		Direct Comparison Approach	Valuation per square foot	Retail: $4,582 to $5,349 per square foot Office/Industrial: $594 to $2,470 per square foot	The higher the valuation per square foot, the higher the fair value.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Valuation processes of the Group (continued)

Investment properties (continued)

Valuation techniques and inputs used in Level 3 fair value measurements (continued)

Description	Fair value at 31 December 2013 ($'000)	Valuation techniques	Unobservable inputs[1]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Investment property under development	260,000	Residual Land Value Approach	Gross development value	$1,240 per square foot	The higher the gross development value, the higher the fair value.
			Estimated cost to completion	$50 million	
			Estimated profit margin required to hold and develop property to completion	10% to 15% of gross development value	

[1] There were no significant inter-relationships between unobservable inputs.

The Group engages external, independent and qualified valuers to determine the fair values of the Group's investment properties at the end of every financial year based on the properties' highest and best use.

In the Income Capitalisation Approach, gross rental income (net of GST) is estimated at a mature maintainable occupancy level from which total expenses have been deducted and net income capitalised at an appropriate rate.

The Discounted Cash Flow Approach involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow method requires the valuer to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with the current market requirements.

The Direct Comparison Approach involves analysis of recent transactions of comparable properties within the vicinity and elsewhere in Singapore. Necessary adjustments have been made for the differences in location, tenure, size, shape, design and layout, age and condition of buildings, date of transactions and the prevailing market and prevailing condition amongst other factors affecting their values.

The Residual Land Value Approach requires an estimate of the gross development value of the proposed development assuming it is completed, from which the various costs of development such as construction costs, professional fees, GST, financial and holding charges on the land and construction, developer's profit, cost of sale, promotion and legal fees are deducted to arrive at the residual land value which would represent what a prudent developer would pay for the site with all its potentialities. The gross development value is arrived at by the direct comparison approach and the capitalisation approach.

Notes to the Financial Statements

For the financial year ended 31 December 2013

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Financial asset/liabilities not carried at fair value

Loans

The fair values of term loans to corporations and consumer loans are based on cash flows discounted at the interest rate of the Co-operative's subordinated debt (Note 17) and are classified as level 3. The fair value and interest rates used are as follows:

2013	Life Insurance Par Fund		General Insurance Fund		Interest rate used
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000	
Term Loans	32	28	–	–	3.65%
Consumer loans	32,487	24,037	63	43	3.65%
Total	**32,519**	**24,065**	**63**	**43**	

The fair values of insurance and other payables are based on cash flows discounted at the interest rate of the Co-operative's subordinated debt (Note 17) and are classified as level 3. The fair values and interest rates used are as follows:

2013	Life Insurance Par Fund		Life Insurance Non-Par Fund		General Insurance Fund		Interest rate used
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000	
Outstanding claims	9,532	8,332	14,134	13,119	–	–	3.65%
Insurance and reinsurance payables	–	–	–	–	61	35	3.65%
Investments and other payables	8,817	8,068	–	–	–	–	3.65%
Total	**18,349**	**16,400**	**14,134**	**13,119**	**61**	**35**	

Notes to the Financial Statements

For the financial year ended 31 December 2013

5. PROPERTY, PLANT AND EQUIPMENT

Life Insurance Par Fund

	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
2013					
Cost					
At 1 January 2013	**3,542**	**17,890**	**18,295**	**912**	**40,639**
Additions	**181**	**1,204**	**1,589**	**309**	**3,283**
Disposals	**(1,021)**	**(42)**	**(7,111)**	**(285)**	**(8,459)**
At 31 December 2013	**2,702**	**19,052**	**12,773**	**936**	**35,463**
Accumulated depreciation					
At 1 January 2013	**3,238**	**12,070**	**15,539**	**579**	**31,426**
Charge for the year	**134**	**1,759**	**1,029**	**185**	**3,107**
Disposals	**(1,021)**	**(28)**	**(7,111)**	**(285)**	**(8,445)**
At 31 December 2013	**2,351**	**13,801**	**9,457**	**479**	**26,088**
Net book value					
At 31 December 2013	**351**	**5,251**	**3,316**	**457**	**9,375**

	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
2012					
Cost					
At 1 January 2012	3,485	17,193	17,396	799	38,873
Additions	57	1,129	933	142	2,261
Disposals	–	(432)	(34)	(29)	(495)
At 31 December 2012	3,542	17,890	18,295	912	40,639
Accumulated depreciation					
At 1 January 2012	3,018	10,612	14,198	435	28,263
Charge for the year	220	1,882	1,375	153	3,630
Disposals	–	(424)	(34)	(9)	(467)
At 31 December 2012	3,238	12,070	15,539	579	31,426
Net book value					
At 31 December 2012	304	5,820	2,756	333	9,213

Depreciation expense is included in "Management expenses" in the statement of comprehensive income.

Notes to the Financial Statements

For the financial year ended 31 December 2013

6. INTANGIBLE ASSETS

	2013 $'000	2012 $'000
<u>**Life Insurance Par Fund**</u>		
Cost		
At 1 January	**60,326**	52,941
Additions	**16,762**	14,516
Transfer to Non-Par Fund	**–**	(7,131)
At 31 December	**77,088**	60,326
Accumulated amortisation		
At 1 January	**33,503**	24,489
Charge for the year	**10,664**	9,014
At 31 December	**44,167**	33,503
Net book value at 31 December	**32,921**	26,823

	2013 $'000	2012 $'000
<u>**Life Insurance Non-Par Fund**</u>		
Cost		
At 1 January	**13,438**	–
Additions	**659**	6,307
Transfer from Par Fund	**–**	7,131
At 31 December	**14,097**	13,438
Accumulated amortisation		
At 1 January	**1,650**	–
Charge for the year	**2,535**	1,650
At 31 December	**4,185**	1,650
Net book value at 31 December	**9,912**	11,788

Amortisation expense is included in "Management expenses" in the statement of comprehensive income.

Notes to the Financial Statements

For the financial year ended 31 December 2013

7. INVESTMENT PROPERTIES

	2013 $'000	2012 $'000
Life Insurance Par Fund		
At 1 January	**807,071**	940,955
Acquisition of subsidiary (Note 30)	**667,465**	–
Additions	**24,175**	1,092
Disposals	**(1,491)**	(138,602)
Change in net fair value recognised in profit or loss	**41,481**	3,626
At 31 December	**1,538,701**	807,071

Investment properties are carried at fair values at the balance sheet date as determined by independent professional valuers.

All investment properties belong to the Life Insurance Par Fund. One of the investment properties is mortgaged against the fixed rate bonds (Note 17). These properties are held for the purpose of capital appreciation and rental income. The following amounts are recognised in profit or loss.

	2013 $'000	2012 $'000
Rental income	**56,723**	48,506
Direct operating expenses arising from investment properties that generated rental income	**(18,832)**	(17,580)

8. INVESTMENT IN SUBSIDIARIES

The subsidiaries of the Co-operative, all incorporated in Singapore and having their place of business in Singapore, at 31 December 2013 are as follows:

Name	Principal activities	Interest held by Co-operative	
		2013 %	2012 %
Life Insurance Par Fund			
NTUC Co-operatives Suzhou Investments Pte Ltd	Investment holding	**73**	73
Savu Investments Pte Ltd	Owning and leasing an investment property	**100**	49
Shareholders' Fund			
NTUC Income Enterprises Pte Ltd (NIE)	Operator of retail and referral services	**100**	100

As at 31 December 2013, investments in subsidiaries held through NTUC Income Enterprises Pte Ltd (NIE), a 100% owned subsidiary of the Co-operative are as follows:

Name	Principal activities	Interest held by NIE	
		2013 %	2012 %
Big Trumpet Ltd*	Create, establish and maintain electronic commerce club	**–**	100

* Struck-off during the year

Notes to the Financial Statements

For the financial year ended 31 December 2013

9. INVESTMENT IN JOINT VENTURE COMPANY

	Group	
	2013 $'000	2012 $'000
Life Insurance Par Fund		
Equity investment at cost	**82,525**	82,525
Carrying value		
Beginning of financial year	**98,429**	96,751
Investment during the financial year	–	–
Share of (loss) / profits	**(4,596)**	1,678
End of financial year	**93,833**	98,429

The following amounts represent the Group's 50% share of the assets and liabilities and income and expenses of the joint venture which are included in the consolidated balance sheet and statement of comprehensive income using the equity method:

	Group	
	2013 $'000	2012 $'000
Assets		
– Current assets	**9,191**	10,871
– Non-current assets	**465,501**	465,473
Liabilities		
– Current liabilities	**377,305**	88,488
– Non-current liabilities	**3,554**	289,427
Net Assets	**93,833**	98,429
Revenue	**20,259**	19,476
Other (expenses) / income	**(2,749)**	5,352
Expenses	**(22,196)**	(22,713)
Income tax credit / (expense)	**90**	(437)
(Loss) / Profit after tax	**(4,596)**	1,678

The investment in joint venture company is as follows:

Name of company	Country of incorporation	Principal activities	Interest held by Co-operative	
			2013 %	2012 %
Life Insurance Par Fund				
Street Square Pte Ltd[(a)]	Singapore	Property Investment holding	**50**	50

(a) Financial year ends on 31 December

Notes to the Financial Statements

For the financial year ended 31 December 2013

10. INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	2013 $'000	2012 $'000
Life Insurance Par Fund		
Equity investment at cost	**217,514**	282,297
Carrying value		
Beginning of financial year	**386,237**	355,859
Investment during the financial year	**–**	194,765
Transfer to investment in subsidiaries (Note 30)	**(51,217)**	
Disposal	**(29,696)**	(151,237)
Share of profits / (loss)	**6,676**	(12,215)
Share in other comprehensive gain / (loss)	**12**	(935)
End of financial year	**312,012**	386,237
The summarised financial information of associated companies is as follows:		
– Assets	**1,198,898**	2,490,074
– Liabilities	**503,020**	1,542,409
– Revenue	**75,759**	159,439
– Net profit	**61,254**	158,122
Shareholders' Fund		
Equity investment at cost	**110,210**	120,173
Carrying value		
Beginning of financial year	**119,776**	10,517
Investment during the financial year	**–**	110,210
Disposal	**(9,078)**	–
Share of profits / (loss)	**15,319**	(951)
Share in other comprehensive gain	**60**	–
End of financial year	**126,077**	119,776
The summarised financial information of associated companies is as follows:		
– Assets	**834,397**	2,026,289
– Liabilities	**338,369**	1,545,199
– Revenue	**487,987**	92,958
– Net profit / (loss)	**62,543**	(1,859)

Notes to the Financial Statements

For the financial year ended 31 December 2013

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

The investment in associated companies is as follows:

Name of company	Country of incorporation	Principal activities	Interest held by Co-operative 2013 %	Interest held by Co-operative 2012 %
Life Insurance Par Fund				
Falcon-Air Holdings Pte Ltd[d]	Singapore	Investment holding	**23**	23
One Marina Property Services Pte Ltd[a]	Singapore	Provision of facility management, project management, marketing and leasing services	**20**	20
Parkway Parade Partnership Ltd [b]	Singapore	Properties investment holding	**46**	46
SG Domain Pte Ltd[c]	Singapore	Properties investment holding	**–**	20
Savu Investments Pte Ltd [d]	Singapore	Owning and leasing an investment property	**–**	49
Shareholders' Fund				
Mercatus Co-operative Limited [a]	Singapore	Properties investment holding	**–**	20
NTUC Choice Homes Co-operative Ltd[a]	Singapore	Property development	**25**	25

(a) Financial year ends on 31 March
(b) Financial year ends on 30 April
(c) Financial year ends on 31 August
(d) Financial year ends on 31 December

Notes to the Financial Statements

For the financial year ended 31 December 2013

11. OTHER FINANCIAL ASSETS

	2013					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	4,977,499	–	638,472	256,647	64,115	5,936,733
Funds	662,905	–	266,986	107,110	41,487	1,078,488
Debt securities	15,136,955	2,267,648	407,094	848,081	91,265	18,751,043
Total investments designated at fair value through profit or loss	20,777,359	2,267,648	1,312,552	1,211,838	196,867	25,766,264
Available-for-sale investments						
Quoted						
Equities	–	–	–	–	155,071	155,071
Funds	–	–	–	–	5,421	5,421
Debt securities	–	–	–	–	358,327	358,327
Unquoted						
Equities	25,769	–	–	–	4,278	30,047
Funds	859,344	–	–	–	–	859,344
Total available-for-sale investments	885,113	–	–	–	523,097	1,408,210
Total investments	21,662,472	2,267,648	1,312,552	1,211,838	719,964	27,174,474
Debt Securities						
To be settled within 12 months	3,091,593	–	71,506	428,406	152,606	3,744,111
To be settled after 12 months	12,045,362	2,267,648	335,588	419,675	296,986	15,365,259
	15,136,955	2,267,648	407,094	848,081	449,592	19,109,370
Equities and Funds						
No maturity date	6,525,517	–	905,458	363,757	270,372	8,065,104
Total	21,662,472	2,267,648	1,312,552	1,211,838	719,964	27,174,474

Notes to the Financial Statements

For the financial year ended 31 December 2013

11. OTHER FINANCIAL ASSETS (CONTINUED)

	2012					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	4,548,333	–	639,786	242,510	44,258	5,474,887
Funds	340,317	–	216,953	79,832	26,637	663,739
Debt securities	15,714,802	2,344,935	392,873	819,471	–	19,272,081
Total investments designated at fair value through profit or loss	20,603,452	2,344,935	1,249,612	1,141,813	70,895	25,410,707
Available-for-sale investments						
Quoted						
Equities	–	–	–	–	166,968	166,968
Funds	–	–	–	–	1,904	1,904
Debt securities	–	–	–	–	235,498	235,498
Unquoted						
Equities	28,975	–	–	–	389	29,364
Funds	720,508	–	–	–	–	720,508
Total available-for-sale investments	749,483	–	–	–	404,759	1,154,242
Total investments	21,352,935	2,344,935	1,249,612	1,141,813	475,654	26,564,949
Debt Securities						
To be settled within 12 months	3,434,339	136	68,724	370,187	39,989	3,913,375
To be settled after 12 months	12,280,463	2,344,799	324,149	449,284	195,509	15,594,204
	15,714,802	2,344,935	392,873	819,471	235,498	19,507,579
Equities and Funds						
No maturity date	5,638,133	–	856,739	322,342	240,156	7,057,370
Total	21,352,935	2,344,935	1,249,612	1,141,813	475,654	26,564,949

Of the total debt securities, 91% (2012: 92%) represents investments in fixed rate instruments.

Notes to the Financial Statements

For the financial year ended 31 December 2013

11. OTHER FINANCIAL ASSETS (CONTINUED)

The balance of the debt securities as at 31 December 2013 includes bonds issued by an associated company and a joint venture company which were purchased at arms-length. These bonds are as follows:

a) The 3 year term bonds issued by the associated company and held by the Co-operative as at 31 December 2012 were subsequently disposed off in 2013 (2012: $115.0 million). The interest earned of $0.74 million (2012: $4.3 million) in the current financial year is recognised in the statement of comprehensive income.

b) 3 year term bonds issued by the joint venture and repayable on 5 May 2014 with an interest rate of 3.02% per annum are recognised at fair value of $96.8 million as at 31 December 2013. The interest earned of $2.8 million is recognised in the statement of comprehensive income.

12. LOANS

	2013					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Term loans to corporations						
– secured	–	–	–	–	–	–
– unsecured	81,294	–	–	–	–	81,294
Consumer loans	39,210	–	–	235	–	39,445
Loans on policies	574,151	–	–	–	–	574,151
Fair value adjustment	–	–	–	–	–	–
Impairment loss	(401)	–	–	(139)	–	(540)
	694,254	–	–	96	–	694,350
To be settled within 12 months	661,735	–	–	33	–	661,768
To be settled after 12 months	32,519	–	–	63	–	32,582
	694,254	–	–	96	–	694,350

Notes to the Financial Statements

For the financial year ended 31 December 2013

12. LOANS (CONTINUED)

	2012					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Term loans to corporations						
– secured	75,000	–	–	–	113,875	188,875
– unsecured	193,697	–	–	144	89,663	283,504
Consumer loans	48,806	–	–	440	–	49,246
Loans on policies	571,876	–	–	–	–	571,876
Fair value adjustment	(10,159)	–	–	–	–	(10,159)
Impairment loss	(600)	–	–	(459)	–	(1,059)
	878,620	–	–	125	203,538	1,082,283
To be settled within 12 months	667,563	–	–	120	–	667,683
To be settled after 12 months	211,057	–	–	5	203,538	414,600
	878,620	–	–	125	203,538	1,082,283

At balance sheet date, the carrying amounts of loans approximate their fair values.

The balance of term loans to corporations as at balance sheet date include loans granted to associated companies and a joint venture company.

a) Interest bearing loans to associated companies

The balance of interest bearing loans to associated companies as at balance sheet date and the interest earned recognised in the statement of comprehensive income are as follows:

	2013				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	–	–	–	–	–
Loan 2	–	–	–	–	–
Loan 3	–	–	–	–	–

	2012				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	1,625	3.00	49	17 February 2015	Unsecured
Loan 2	113,875	5.00	5,709	16 November 2016	Secured
Loan 3	89,663	5.46	4,795	On demand	Unsecured

Notes to the Financial Statements

For the financial year ended 31 December 2013

12. LOANS (CONTINUED)

b) Non-interest bearing loans to associated companies

The balance of non-interest bearing loans to associated companies as at balance sheet date are as follows:

2013

	Loan Amount at Inception $'000	Unamortised Fair Value Loss $'000	Carrying value $'000	Scheduled Repayment Date	Type
Loan 1	–	–	–	–	–
Loan 2	–	–	–	–	–

2012

	Loan Amount at Inception $'000	Unamortised Fair Value Loss $'000	Carrying value $'000	Scheduled Repayment Date	Type
Loan 1	29,608	1,695	27,913	17 February 2015*	Unsecured
Loan 2	81,158	8,464	72,694	17 January 2016	Unsecured

* These loans are automatically renewable for a further period of five years unless parties otherwise agree

c) Interest bearing loan to joint venture company

The balance of interest bearing loan to joint venture company as at balance sheet date and the interest earned recognised in the statement of comprehensive income is as follows:

2013

	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	**81,251**	**7.00**	**5,708**	**On demand**	**Unsecured**

2012

	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	81,251	7.00	5,703	On demand	Unsecured

Movements in allowance for impairment loss during the financial year are as follows:

	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
2013						
At 1 January	**600**	**–**	**–**	**459**	**–**	**1,059**
Allowance made / (written back) during the year	**(199)**	**–**	**–**	**(176)**	**–**	**(375)**
Write off	**–**	**–**	**–**	**(144)**	**–**	**(144)**
At 31 December	**401**	**–**	**–**	**139**	**–**	**540**
2012						
At 1 January	807	–	–	402	–	1,209
Allowance made / (written back) during the year	(207)	–	–	57	–	(150)
At 31 December	600	–	–	459	–	1,059

Notes to the Financial Statements

For the financial year ended 31 December 2013

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2013			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	7,037,741	11,551	78,361	(66,810)
Interest rate swaps	125,238	1,970	564	1,406
Futures	142,072	1,341	446	895
Cross currency swaps	867,999	50,136	6,806	43,330
Swaptions	45,959	–	85	(85)
	8,219,009	64,998	86,262	(21,264)
Life Insurance Non-Par Fund				
Forward foreign exchange	268,546	15	3,591	(3,576)
Investment Linked Fund				
Forward foreign exchange	268,000	629	3,422	(2,793)
Interest rate swaps	28,075	568	143	425
Futures	1,786	39	–	39
Swaptions	12,373	–	25	(25)
	310,234	1,236	3,590	(2,354)
General Insurance Fund				
Forward foreign exchange	460,916	882	4,555	(3,673)
Shareholders' Fund				
Forward foreign exchange	290,863	395	2,598	(2,203)
Total	9,549,568	67,526	100,596	(33,070)

Notes to the Financial Statements

For the financial year ended 31 December 2013

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2012			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	6,553,422	23,575	29,021	(5,446)
Interest rate swaps	143,962	4,408	602	3,806
Futures	166,119	476	436	40
Cross currency swaps	776,892	73,145	1,385	71,760
Swaptions	50,081	4	–	4
	7,690,476	101,608	31,444	70,164
Life Insurance Non-Par Fund				
Forward foreign exchange	239,039	371	2	369
Investment Linked Fund				
Forward foreign exchange	273,623	387	1,150	(763)
Interest rate swaps	37,691	1,160	57	1,103
Futures	216	–	–	–
Swaptions	15,757	1	–	1
	327,287	1,548	1,207	341
General Insurance Fund				
Forward foreign exchange	360,972	2,149	2,000	149
Shareholders' Fund				
Forward foreign exchange	225,612	1,116	1,413	(297)
Total	8,843,386	106,792	36,066	70,726

At balance sheet date, all derivative financial instruments balances are current, as they are classified as 'held for trading' in accordance with Financial Reporting Standards 39, Financial Instruments: Recognition and Measurement.

Notes to the Financial Statements

For the financial year ended 31 December 2013

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements:

	2013					
	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $'000	Net amounts of financial assets presented in the statement of financial position $'000	Related amounts not set-off in the statement of financial position: Financial Instruments $'000	Related amounts not set-off in the statement of financial position: Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	64,998	–	64,998	354	461	64,183
Life Insurance Non-Par Fund						
Derivatives	15	–	15	–	–	15
Investment Linked Fund						
Derivatives	1,236	–	1,236	–	–	1,236
General Insurance Fund						
Derivatives	882	–	882	–	–	882
Shareholders' Fund						
Derivatives	395	–	395	–	–	395

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements:

	2013					
	Gross amounts of recognised financial liabilities $'000	Gross amounts of recognised financial assets set-off in the statement of financial position $'000	Net amounts of financial liabilities presented in the statement of financial position $'000	Related amounts not set-off in the statement of financial position: Financial Instruments $'000	Related amounts not set-off in the statement of financial position: Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	86,262	–	86,262	8,261	1,362	76,639
Life Insurance Non-Par Fund						
Derivatives	3,591	–	3,591	–	–	3,591
Investment Linked Fund						
Derivatives	3,590	–	3,590	2,002	492	1,096
General Insurance Fund						
Derivatives	4,555	–	4,555	–	–	4,555
Shareholders' Fund						
Derivatives	2,598	–	2,598	–	–	2,598

Notes to the Financial Statements

For the financial year ended 31 December 2013

14. INSURANCE CONTRACT PROVISIONS

	2013				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Gross					
Provision for claims and loss adjustment expenses	–	71,648	–	527,161	598,809
Provision for unexpired risks	–	162,243	–	167,295	329,538
Provision for future non-participating benefits	1,134,164	1,247,440	–	–	2,381,604
Provision for future participating benefits					
– Guaranteed benefits	11,657,649	–	–	–	11,657,649
– Non-guaranteed benefits	11,160,666	–	–	–	11,160,666
Provision for investment linked contracts	–	–	1,347,180	–	1,347,180
Total insurance contract provisions, gross	23,952,479	1,481,331	1,347,180	694,456	27,475,446
Reinsurance					
Provision for claims and loss adjustment expenses	–	–	–	27,904	27,904
Provision for unexpired risks	–	–	–	1,486	1,486
Total reinsurers' share of insurance contract provisions	–	–	–	29,390	29,390
Net					
Provision for claims and loss adjustment expenses	–	71,648	–	499,257	570,905
Provision for unexpired risks	–	162,243	–	165,809	328,052
Provision for future non-participating benefits	1,134,164	1,247,440	–	–	2,381,604
Provision for future benefits					
– Guaranteed benefits	11,657,649	–	–	–	11,657,649
– Non-guaranteed benefits	11,160,666	–	–	–	11,160,666
Provision for investment linked contracts	–	–	1,347,180	–	1,347,180
Total insurance contract provisions, net	23,952,479	1,481,331	1,347,180	665,066	27,446,056

Notes to the Financial Statements

For the financial year ended 31 December 2013

14. INSURANCE CONTRACT PROVISIONS (CONTINUED)

	2012				
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Total $'000
Gross					
Provision for claims and loss adjustment expenses	–	68,583	–	514,308	582,891
Provision for unexpired risks	–	126,948	–	172,918	299,866
Provision for future non-participating benefits	1,897,099	1,163,447	–	–	3,060,546
Provision for future participating benefits					
– Guaranteed benefits	10,998,470	–	–	–	10,998,470
– Non-guaranteed benefits	11,362,488	–	–	–	11,362,488
Provision for investment linked contracts	–	–	1,281,869	–	1,281,869
Total insurance contract provisions, gross	24,258,057	1,358,978	1,281,869	687,226	27,586,130
Reinsurance					
Provision for claims and loss adjustment expenses	–	–	–	28,518	28,518
Provision for unexpired risks	–	–	–	1,645	1,645
Total reinsurers' share of insurance contract provisions	–	–	–	30,163	30,163
Net					
Provision for claims and loss adjustment expenses	–	68,583	–	485,790	554,373
Provision for unexpired risks	–	126,948	–	171,273	298,221
Provision for future non-participating benefits	1,897,099	1,163,447	–	–	3,060,546
Provision for future benefits					
– Guaranteed benefits	10,998,470	–	–	–	10,998,470
– Non-guaranteed benefits	11,362,488	–	–	–	11,362,488
Provision for investment linked contracts	–	–	1,281,869	–	1,281,869
Total insurance contract provisions, net	24,258,057	1,358,978	1,281,869	657,063	27,555,967

Notes to the Financial Statements

For the financial year ended 31 December 2013

14. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions

Life Insurance Par Fund

Provision for future participating / non-participating benefits

	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**24,258,057**	**–**	**24,258,057**	22,009,619	–	22,009,619
(Decrease) / Increase in insurance contract provisions	**(641,250)**	**–**	**(641,250)**	1,936,528	–	1,936,528
Share in results of joint venture company and associated companies	**2,060**	**–**	**2,060**	(11,497)	–	(11,497)
Change in liabilities for insurance contracts arising from unrealised available-for-sale net gain	**15,800**	**–**	**15,800**	6,370	–	6,370
Bonus to policyholders	**317,812**	**–**	**317,812**	317,037	–	317,037
At 31 December	**23,952,479**	**–**	**23,952,479**	24,258,057	–	24,258,057

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**126,948**	**–**	**126,948**	113,462	–	113,462
Movements for the year	**35,295**	**–**	**35,295**	13,486	–	13,486
At 31 December	**162,243**	**–**	**162,243**	126,948	–	126,948

(b) Provisions for future non-participating benefits and claims

	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**1,232,030**	**–**	**1,232,030**	1,071,038	–	1,071,038
Increase in insurance contract provisions	**87,058**	**–**	**87,058**	160,992	–	160,992
At 31 December	**1,319,088**	**–**	**1,319,088**	1,232,030	–	1,232,030
At 31 December (a) + (b)	**1,481,331**	**–**	**1,481,331**	1,358,978	–	1,358,978

Notes to the Financial Statements

For the financial year ended 31 December 2013

14. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions (continued)
Investment Linked Fund
Provision for investment linked contracts

	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**1,281,869**	**–**	**1,281,869**	1,174,298	–	1,174,298
Increase in insurance contract provisions	**65,311**	**–**	**65,311**	107,571	–	107,571
At 31 December	**1,347,180**	**–**	**1,347,180**	1,281,869	–	1,281,869

General Insurance Fund

(a) Provision for claims and loss adjustment expenses

	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**514,308**	**(28,518)**	**485,790**	495,143	(33,829)	461,314
Increase in insurance contract provisions	**12,853**	**614**	**13,467**	19,165	5,311	24,476
At 31 December	**527,161**	**(27,904)**	**499,257**	514,308	(28,518)	485,790

(b) Provision for unexpired risks

	2013			2012		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**172,918**	**(1,645)**	**171,273**	170,262	(2,021)	168,241
Movements for the year	**(5,623)**	**159**	**(5,464)**	2,656	376	3,032
At 31 December	**167,295**	**(1,486)**	**165,809**	172,918	(1,645)	171,273
At 31 December (a) + (b)	**694,456**	**(29,390)**	**665,066**	687,226	(30,163)	657,063

Notes to the Financial Statements

For the financial year ended 31 December 2013

15. INSURANCE AND OTHER RECEIVABLES

	2013					
	Life Insurance Par Fund $'000	Life Insurance Non–Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding premiums	**47,773**	**39,078**	**–**	**10,799**	**–**	**97,650**
Accrued interest receivable	**6,204**	**–**	**7**	**–**	**–**	**6,211**
Investment receivables	**37,320**	**–**	**26,853**	**371**	**271**	**64,815**
Trade receivables	**5**	**1,761**	**–**	**5,443**	**–**	**7,209**
Other receivables	**10,598**	**210**	**55**	**193**	**908**	**11,964**
Interfund balances	**13,798**	**3**	**–**	**4**	**23,844**	**37,649**
	115,698	**41,052**	**26,915**	**16,810**	**25,023**	**225,498**
Less: Allowance for impairment losses	**(19)**	**(1,204)**	**–**	**(654)**	**–**	**(1,877)**
	115,679	**39,848**	**26,915**	**16,156**	**25,023**	**223,621**

	2012					
	Life Insurance Par Fund $'000	Life Insurance Non–Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding premiums	38,570	30,621	–	12,497	–	81,688
Accrued interest receivable	4,783	–	4	–	4,409	9,196
Investment receivables	54,324	–	16,533	269	234	71,360
Trade receivables	8	878	–	7,882	575	9,343
Other receivables	10,254	69	61	165	653	11,202
Interfund balances	12,054	335	6,646	5	38,959	57,999
	119,993	31,903	23,244	20,818	44,830	240,788
Less: Allowance for impairment losses	(141)	17	–	(642)	–	(766)
	119,852	31,920	23,244	20,176	44,830	240,022

At balance sheet date, all insurance and other receivables are current, and the carrying amounts approximate their fair values.

Notes to the Financial Statements

For the financial year ended 31 December 2013

15. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

Movements in allowance for impairment losses for the financial year are as follows:

	2013					
	Life Insurance Par Fund $'000	Life Insurance Non–Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
At 1 January	**141**	**(17)**	**–**	**642**	**–**	**766**
Impairment loss during the year	**–**	**1,221**	**–**	**12**	**–**	**1,233**
Allowance written back / utilised during the year	**(122)**	**–**	**–**	**–**	**–**	**(122)**
At 31 December	**19**	**1,204**	**–**	**654**	**–**	**1,877**

	2012					
	Life Insurance Par Fund $'000	Life Insurance Non–Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
At 1 January	399	134	–	664	–	1,197
Allowance written back / utilised during the year	(258)	(151)	–	(22)	–	(431)
At 31 December	141	(17)	–	642	–	766

16. CASH AND CASH EQUIVALENTS

	2013					
	Life Insurance Par Fund $'000	Life Insurance Non–Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Fixed deposits with banks	**375,000**	**59,000**	**22,487**	**21,396**	**24,000**	**501,883**
Cash and bank balances	**229,313**	**108,036**	**51,236**	**57,786**	**9,513**	**455,884**
	604,313	**167,036**	**73,723**	**79,182**	**33,513**	**957,767**

	2012					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Fixed deposits with banks	975,000	24,000	4,921	19,481	34,000	1,057,402
Cash and bank balances	343,036	81,504	43,831	60,499	29,041	557,911
	1,318,036	105,504	48,752	79,980	63,041	1,615,313

Notes to the Financial Statements

For the financial year ended 31 December 2013

17. BORROWINGS

Life Insurance Par Fund

Description	Issue Date	Maturity Date	2013 $'000	2012 $'000
Fixed rate bonds	17 January 2011	17 January 2014	**419,849**	–

On 17 January 2011, a subsidiary of the Co-operative issued $420 million secured fixed rate bonds ("Bonds") which were listed on the Singapore Exchange. The Bonds bore interest at a fixed rate of 3.83% per annum which was payable semi-annually in arrears on 17 January and 17 July in each year. The maturity date for the Bonds was 17 January 2014 and the redemption was made by way of a refinancing facility provided by Australia and New Zealand Banking Group Limited, The Hongkong and Shanghai Banking Corporation Limited and Standard Chartered Bank on 15 January 2014. The redemption price was the original issue price of the Bonds.

The bonds were secured by the following:

(i) a legal mortgage over the subsidiary's investment property;
(ii) an assignment of all the rights, title and interest of the subsidiary in and to the proceeds arising from the sale and lease of the investment property;
(iii) an assignment of all the rights, title and interest in and to the insurances of the subsidiary in relation to the investment property;
(iv) a debenture creating fixed and floating charges over the assets of the subsidiary (including, without limitation, the restricted cash).

Shareholders' Fund

Description	Issue Date	Maturity Date	2013 $'000	2012 $'000
$600 million 3.65% subordinated notes	23 August 2012	23 August 2027	**598,772**	598,654

On 23 August 2012, the Co-operative issued $600 million subordinated notes ("Notes") due 2027 callable from 2022. The Notes will initially bear interest at the rate of 3.65% per annum, payable semi annually on 23 February and 23 August of each calendar year up to 23 August 2022. If the Notes are not redeemed or purchased and cancelled on 23 August 2022, the interest rate from that date will be reset at a fixed rate per annum equal to the aggregate of the then prevailing five-year SGD swap offer rate and 1.88%, payable semi-annually in arrears. The Notes qualify as Tier 2 capital for capital adequacy purposes.

At balance sheet date, the fair value of the subordinated debt is $603,960,000.

Notes to the Financial Statements

For the financial year ended 31 December 2013

18. INSURANCE AND OTHER PAYABLES

2013	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	**19,026**	**37,126**	**201**	**1,321**	**–**	**57,674**
Insurance and reinsurance payables	**27,628**	**3,591**	**161**	**4,215**	**22**	**35,617**
Investments and other payables	**304,251**	**5,766**	**50,846**	**8,016**	**20,887**	**389,766**
Contribution to Singapore Labour Foundation	**–**	**–**	**–**	**–**	**–**	**–**
Contribution to Central Co-operative Fund	**–**	**–**	**–**	**–**	**–**	**–**
Interfund balances	**8,115**	**7,201**	**214**	**21,616**	**503**	**37,649**
	359,020	**53,684**	**51,422**	**35,168**	**21,412**	**520,706**
To be settled within 12 months	**340,671**	**39,550**	**51,422**	**35,107**	**21,412**	**488,162**
To be settled after 12 months	**18,349**	**14,134**	**–**	**61**	**–**	**32,544**
	359,020	**53,684**	**51,422**	**35,168**	**21,412**	**520,706**

2012	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	17,657	34,659	–	1,680	–	53,996
Insurance and reinsurance payables	38,634	2,375	359	5,815	19	47,202
Investments and other payables	456,656	5,559	27,888	8,117	22,450	520,670
Contribution to Singapore Labour Foundation	–	–	–	–	–	–
Contribution to Central Co-operative Fund	–	–	–	–	–	–
Interfund balances	14,549	19,442	–	23,827	181	57,999
	527,496	62,035	28,247	39,439	22,650	679,867
To be settled within 12 months	501,990	50,829	28,247	39,439	22,650	643,155
To be settled after 12 months	25,506	11,206	–	–	–	36,712
	527,496	62,035	28,247	39,439	22,650	679,867

At balance sheet date, the carrying amounts of insurance and other payables approximate their fair value.

Notes to the Financial Statements

For the financial year ended 31 December 2013

19. SHARE CAPITAL

	2013	2012	2013	2012
	Number of shares		$'000	$'000
Shareholders' Fund				
Authorised:				
100,000,000 common shares of $10 each	**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid common shares:				
At 1 January	**43,925,568**	43,912,127	**439,255**	439,121
Issue of shares	**170,970**	123,133	**1,710**	1,231
Redemption of shares	**(153,542)**	(109,692)	**(1,535)**	(1,097)
At 31 December	**43,942,996**	43,925,568	**439,430**	439,255

	2013	2012	2013	2012
	Number of shares		$'000	$'000
Issue of shares				
Shares issued to employees for long service award	**16,960**	18,570	**170**	186
Shares issued for cash in respect of new subscriptions	**154,010**	104,563	**1,540**	1,045
	170,970	123,133	**1,710**	1,231

The newly issued shares rank pari passu in respect of distribution of dividends and bonus shares with the existing shares.

Members and their rights

Members of the Co-operative consist of:

(i) a Founder Member which shall be the NTUC

(ii) Institutional Members which shall be the Singapore Labour Foundation, trade unions and co-operative societies as may be accepted by the Board; and

(iii) Ordinary Members who shall be individual persons who hold an individual life insurance policy with the Co-operative or hold at least 10 Common Shares in the Co-operative or are such other persons who may from time to time be admitted at the discretion of the Board on such terms as the Board may decide

A Member of the Co-operative may attend and vote in person at any General Meeting of the Co-operative. Ordinary Members have one vote each, and Institutional Members and the Founder Member, each have a total number of shares equal to the number of Common Shares held.

A Member may withdraw its/his Common Shares, on giving three months' notice in writing. The Board may at its discretion and on such conditions as it deems fit, waive or vary the notice period and allow the withdrawal of the Common Shares at an earlier date.

The Member withdrawing shall be entitled on the expiry of his notice to receive as the value of his Common Shares the lesser of the nominal value of the Common Shares; and what they are worth as disclosed by the last audited balance sheet prepared by the Co-operative.

Notes to the Financial Statements

For the financial year ended 31 December 2013

19. SHARE CAPITAL (CONTINUED)

Members and their rights (continued)

In the event of the winding up of the Co-operative, the assets, including the reserve fund, shall be applied first to the cost of liquidation, then to the discharge of the liabilities of the Co-operative, then to the payment of the share capital or subscription capital, and then, provided that the By-Laws of the Co-operative permit, to the payment of a dividend or patronage refund at a rate not exceeding that laid down in the Rules or in the By-Laws.

Any monies remaining after the application of the funds to the purposes specified in the above paragraph (section 88 of Co-operative Societies Act) and any sums unclaimed after two years under Section 89 (3) (which relates to claims of creditors), shall not be divided among the Members but shall be carried to the Co-operative Societies Liquidation Account kept by the Registrar.

A sum carried to the Co-operative Societies Liquidation Account shall be kept in this Account for at least two years. Out of the Co-operative Societies Liquidation Account such sums may be transferred to the Central Co-operative Fund, or applied generally for the furtherance of co-operative principles in such manner, as the Minister may determine from time to time.

The Common Shares are presented as equity on the balance sheet. The redemption rights of the Members and the requirements of Financial Reporting Standard 32, Financial Instruments: Presentation are described in Note 2(s) of significant accounting policies.

20. RESERVES FOR FUTURE DISTRIBUTION

The Group has designated an amount of $601,217,000 (2012: $713,114,000) as reserves for future distribution. This amount relates to the ElderShield and IncomeShield business. The reserves are set aside because the underlying risk for IncomeShield and ElderShield is uncertain and of a long term nature, it is prudent to earmark this amount as being available for distribution only when the trend of the experience can be clearly established.

21. FEE AND OTHER INCOME

	2013					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Reinsurance commission	**5,442**	**1,205**	**–**	**2,092**	**–**	**8,739**
Management and other fees	**12,407**	**–**	**–**	**–**	**26**	**12,433**
	17,849	**1,205**	**–**	**2,092**	**26**	**21,172**

	2012					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Reinsurance commission	4,123	529	–	2,694	–	7,346
Management and other fees	11,982	–	–	–	18	12,000
	16,105	529	–	2,694	18	19,346

Notes to the Financial Statements

For the financial year ended 31 December 2013

22. NET INVESTMENT INCOME / (LOSSES) AND FAIR VALUE GAINS / (LOSSES)

	2013					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Interest income						
– cash and cash equivalents	1,108	26	31	26	79	1,270
– loans	40,137	–	–	31	2,730	42,898
	41,245	26	31	57	2,809	44,168
Dividend income	220,800	–	18,036	7,686	6,854	253,376
Net rental income:						
– rental income	56,723	–	–	–	–	56,723
Less: Investment properties maintenance	(18,832)	–	–	–	–	(18,832)
	37,891	–	–	–	–	37,891
Realised gain on sale of AFS investments	56,996	–	–	–	3,277	60,273
Realised gain on sale of investment properties	1,349	–	–	–	–	1,349
Gain / (loss) on changes in fair value of:						
– investments designated as fair value through profit or loss	261,468	(109,171)	106,390	46,832	30,106	335,625
– derivatives	(204,401)	(8,415)	(5,493)	(10,403)	(5,270)	(233,982)
– investment properties	41,481	–	–	–	–	41,481
	98,548	(117,586)	100,897	36,429	24,836	143,124
Less:						
Investment expenses	(36,494)	(1,475)	(14,110)	(1,592)	(1,700)	(55,371)
Allowance for impairment written back / (made) on:						
– loans	199	–	–	176	–	375
– available-for-sale investments	–	–	–	–	(14,606)	(14,606)
	199	–	–	176	(14,606)	(14,231)
Loans written off	(161)	–	–	(104)	–	(265)
Others	1,137	(1,220)	63	455	708	1,143
Net investment income / (losses) and fair value gains / (losses)	421,510	(120,255)	104,917	43,107	22,178	471,457

Notes to the Financial Statements

For the financial year ended 31 December 2013

22. NET INVESTMENT INCOME / (LOSSES) AND FAIR VALUE GAINS / (LOSSES) (CONTINUED)

	2012					
	Life Insurance Par Fund $'000	**Life Insurance Non-Par Fund $'000**	**Investment Linked Fund $'000**	**General Insurance Fund $'000**	**Share holders' Fund $'000**	**Total $'000**
Interest income						
– cash and cash equivalents	1,888	46	23	30	28	2,015
– loans	46,707	1,389	–	688	6,280	55,064
	48,595	1,435	23	718	6,308	57,079
Dividend income	230,075	–	17,132	6,871	6,331	260,409
Net rental income:						
– rental income	48,506	–	–	–	–	48,506
Less: Investment properties maintenance	(17,580)	–	–	–	–	(17,580)
	30,926	–	–	–	–	30,926
Realised gain / (loss) on sale of AFS investments	32,418	–	–	–	(7,819)	24,599
Realised (loss) on sale of investment properties	(373)	–	–	–	–	(373)
Gain on changes in fair value of:						
– investments designated as fair value through profit or loss	1,325,607	149,794	132,892	48,479	7,575	1,664,347
– derivatives	219,872	13,740	8,175	12,454	2,141	256,382
– investment properties	3,626	–	–	–	–	3,626
	1,549,105	163,534	141,067	60,933	9,716	1,924,355
Less:						
Investment expenses	(36,029)	(1,234)	(12,930)	(1,455)	(1,004)	(52,652)
Allowance for impairment written back / (made) on:						
– loans	207	–	–	(57)	–	150
– available-for-sale investments	(9,563)	–	–	–	–	(9,563)
	(9,356)	–	–	(57)	–	(9,413)
Loans written off	(75)	–	–	(68)	–	(143)
Others	1,186	(268)	43	667	(121)	1,507
Net investment income / (losses) and fair value gains / (losses)	1,846,472	163,467	145,335	67,609	13,411	2,236,294

Notes to the Financial Statements

For the financial year ended 31 December 2013

23. MANAGEMENT EXPENSES

The following items are included in management expenses:

	The Group	
	2013 $'000	**2012 $'000**
Staff costs		
– Salaries, commission, bonuses and staff benefits	**93,316**	88,091
– Employer's contribution to defined contribution plan	**10,143**	9,477
Advertising and promotion	**6,186**	7,640
Depreciation and amortisation	**15,243**	13,346
Printing, postage and stationery	**5,083**	5,452
Rental	**7,818**	8,240

24. IMMEDIATE AND ULTIMATE HOLDING ENTITY

With effect from 1 January 2013, the Co-operative's shares owned by Singapore Labour Foundation, National Trade Union Congress and the affiliated unions have been transferred to NTUC Enterprise Co-operative Limited. Consequently, the Co-operative's immediate and ultimate holding entity is NTUC Enterprise Co-operative Limited, registered in Singapore.

25. RELATED PARTY TRANSACTIONS

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa.

In addition to the related party information shown elsewhere in the financial statements, the following significant related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

(a) Sales and purchases of goods & services

	The Group	
	2013 $'000	**2012 $'000**
Insurance related transactions with		
– Parent	**7**	–
– Subsidiaries	**136**	–
– Associates	**116**	–
– Other related parties	**1,740**	–
	1,999	–

Notes to the Financial Statements

For the financial year ended 31 December 2013

25. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Sales and purchases of goods & services (continued)

	The Group	
	2013 $'000	**2012 $'000**
Investment related transactions with		
– Parent	**225,199**	–
– Subsidiaries	**(17,499)**	–
– Associates	**24,283**	–
– Other related parties	**1,772**	–
	233,755	–

	The Group	
	2013 $'000	**2012 $'000**
Purchases of goods/rental/ management of investment properties with		
– Parent	**10**	–
– Subsidiaries	**6**	–
– Associates	**860**	1,339
– Other related parties	**1,115**	–
	1,991	1,339
Dividends to		
– Parent	**(7,685)**	–

Other related parties comprise mainly entities which are members of the NTUC Enterprise Co-operative Limited group.

(b) Key management personnel compensation

	The Group	
	2013 $'000	**2012 $'000**
Salaries and other benefits	**6,629**	6,892
Employer's contribution to defined contribution plan	**98**	120
Directors' fees	**458**	441
	7,185	7,453

Notes to the Financial Statements

For the financial year ended 31 December 2013

26. DIVIDENDS

	2013 $'000	2012 $'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 60 cents (2012: 60 cents) per share	**25,499**	25,489

The directors have proposed a dividend of 60 cents per share (2012: 60 cents per share) amounting to $26,366,000 (2012: $26,355,000) to be paid in respect of the financial year ended 31 December 2013. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2014 after approval is obtained during the Annual General Meeting.

27. ACCUMULATED SURPLUS OF LIFE INSURANCE PAR FUND

In accordance with regulations, a surplus account is maintained whereby surpluses not transferred to the shareholders' fund are retained in the surplus account to strengthen the Life Insurance Par Fund. The quantum retained in the surplus account is approved by the Board on the recommendation of the Appointed Actuary.

28. ACCUMULATED SURPLUS OF SHAREHOLDERS' FUND AND OTHER INSURANCE FUNDS

The net accumulated surplus of the shareholders' fund and other insurance funds of the Group of $830,362,000 (2012: $778,945,000) [comprising accumulated surplus of $960,235,000 (2012: $917,963,000) in other insurance funds and the accumulated deficit of $129,873,000 (2012: accumulated deficit of $139,018,000) in the shareholders' fund] represents the amount available for distribution to the members of the Group except for accumulated surplus of $516,027,000 (2012: $529,917,000), which is not distributable and must be maintained to meet regulatory capital requirement prescribed in the Valuation and Capital Regulations 2004 under MAS Insurance Act as determined by the Appointed Actuary, and to meet other statutory requirements.

29. COMMITMENTS

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

(a) Capital commitments

	The Group	
	2013 $'000	2012 $'000
Life Insurance Par Fund		
Outstanding investment commitments	**855,526**	485,128

(b) Operating lease commitments (where the Group is a lessor)

The Group leases out retail and residential space from their investment properties to non-related parties under non-cancellable operating leases. The lessees are required to pay fixed rental payments during the lease period. The future rent receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	The Group	
	2013 $'000	2012 $'000
Not later than one year	**41,022**	17,475
Between one and five years	**60,985**	21,798

Notes to the Financial Statements

For the financial year ended 31 December 2013

29. COMMITMENTS (CONTINUED)

(c) Operating lease commitments (where the Group is a lessee)

The Group leases office spaces under non-cancellable operating lease agreements. The Group is required to pay fixed rental payments during the lease period.

The future minimum lease payables under non-cancellable leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	The Group	
	2013 $'000	**2012 $'000**
Not later than one year	**4,592**	4,840
Between one and five years	**8,602**	17,446

30. BUSINESS COMBINATIONS

On 5 February 2013, the Group acquired 51% of the remaining equity interest in Savu Investments Pte Ltd ("Savu"). Consequently, the Group owns 100% of Savu. The principal activities of Savu Investments Pte Ltd are those of owning and leasing of an investment property.

Details of the consideration paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

(a) Purchase consideration

	$'000
Cash paid for the remaining 51% equity stake	49,187
Acquisition date fair value of the acquirer's previously held 49% equity stake	55,168
Consideration transferred for the business	**104,355**

No contingent consideration or indemnification asset was recognised at the acquisition date.

(b) Effect on cash flows of the Group

	$'000
Cash paid for 51% equity stake (as above)	49,187
Less: Cash and cash equivalents in subsidiary acquired	(27,227)
Cash outflow on acquisition	**21,960**

Notes to the Financial Statements

For the financial year ended 31 December 2013

30. BUSINESS COMBINATIONS (CONTINUED)

(c) Identifiable assets acquired and liabilities assumed

	At fair value $'000
Cash and cash equivalents	27,227
Trade and other receivables	1,228
Investment property (Note 7)	667,465
Total assets	695,920
Borrowings	416,971
Loan from shareholder	157,397
Other liabilities	8,964
Total liabilities	583,332
Total identifiable net assets	**112,588**
Less: Negative goodwill	(8,233)
Consideration transferred for the business	**104,355**

(d) Acquisition-related costs

Acquisition-related costs of $216,000 are included in "Investment expenses" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

(e) Acquired receivables

The fair value of other receivables is $1,228,000.

(f) Goodwill

The negative goodwill of $8,233,000 arising from the acquisition is recognised in the consolidated statement of comprehensive income.

(g) Revenue and profit contribution

The acquired business contributed revenue of $2,820,000 and net profit of $9,651,000 to the Group for the period from 5 February 2013 to 31 December 2013.

31. LEGAL SUIT

On 20 February 2014, 4 Financial Consultants representing another 34 Financial Consultants filed a Writ of Summons in the High Court against the Co-operative alleging a breach of their contract of employment. This is a representative action and the first Pre-Trial Conference has been fixed on 28 March 2014. At the date of this report, management is reviewing this together with legal counsel.

Notes to the Financial Statements

For the financial year ended 31 December 2013

32. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

FRS 110 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)

FRS 110 replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation – Special Purpose Entities". The same criteria are now applied to all entities to determine control. Additional guidance is also provided to assist in the determination of control where this is difficult to assess. The Group will apply FRS 110 from 1 January 2014 but this is not expected to have any significant impact on the financial statements of the Group.

FRS 111 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)

FRS 111 introduces a number of changes. The "types" of joint arrangements have been reduced to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated and equity accounting is mandatory for participants in joint ventures. Entities that participate in joint operations will follow accounting much like that for joint assets or joint operations currently. The Group will apply FRS 111 from 1 January 2014 but this is not expected to have any significant impact on the financial statements of the Group.

FRS 112 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

FRS 112 requires disclosure of information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in (1) subsidiaries, (2) associates, (3) joint arrangements and (4) unconsolidated structured entities.

The Group will apply FRS 112 prospectively from 1 January 2014. FRS 112 will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Co-operative in the period of their initial adoption.

33. AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors at a meeting held on 21 March 2014 and authorised for release on 21 March 2014.

Shareholding

as at 31 December 2013

FOUNDER MEMBER	Number of Shares
National Trades Union Congress	10,000 (0.02%)

INSTITUTIONAL MEMBERS	Number of Shares
NTUC Enterprise Co-operative Limited	12,709,836
NTUC Income Insurance Co-operative Ltd	1,415,952
Singapore Mercantile Co-operative Society Ltd	214,035
NTUC Fairprice Co-operative Ltd	183,267
AUPE Multi-Purpose Co-operative Society Ltd	138,255
Singapore Teachers' Co-operative Society Ltd	134,057
NTUC First Campus Co-operative Ltd	120,019
ExxonMobil Employees Co-operative Ltd	106,543
Singapore Shell Employees Union Co-operative Ltd	83,463
Singapore Government Staff Credit Co-operative Society Ltd	71,077
Straits Times Co-operative Ltd	62,572
Customs Credit Co-operative Society Ltd	59,715
Singapore National Co-operative Federation Ltd	57,075
Citiport Credit Co-operative Ltd	51,265
Telecoms Credit Co-operative Ltd	38,124
Temasek Polytechnic Co-operative Society Ltd	35,880
Singapore Public Works Employees' Credit Co-operative Society Ltd	35,625
Singapore Police Co-operative Society Ltd	29,613
NTUC Media Co-operative Ltd	25,412
Singapore Statutory Boards Employees' Co-operative T & L Society Ltd	24,615
Ceylon Tamils Multi-Purpose Co-operative Ltd	20,327
NTUC Unity Healthcare Co-operative Ltd	20,288
Singapore Prison Service Multi-Purpose Co-operative Society Ltd	20,100
Premier Security Co-operative Ltd	14,200
UTES Multi-Purpose Co-operative Society Ltd	13,304
TRC Multi-Purpose Co-operative Society Ltd	12,919
Ngee Ann Poly Consumer Co-operative Society	12,810
Industrial & Services Co-operative Society Ltd	6,095
NUS Multi-Purpose Co-operative Society Ltd	4,420
Jurong Shipyard Multi-Purpose Co-operative Society Ltd	3,306
Singapore Bank Employees Co-operative T & L Society Ltd	2,130
Total for Institutional Members	15,726,299 (35.79%)
ORDINARY MEMBERS	28,206,697 (64.19%)
TOTAL	43,942,996 (100%)

Notice of Annual General Meeting

NOTICE IS HEREBY given that the 44th Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Tuesday, 3 June 2014, 6.00 pm, at the Auditorium, Level 7, NTUC Centre, One Marina Boulevard, Singapore 018989.

AGENDA

1 To confirm the minutes of the 43rd Annual General Meeting held on 5 June 2013.

2 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2013.

3 To consider the Actuary's Report and to endorse the proposals of the Board of Directors for the allocation of the surplus.

4 To elect members of the Board of Directors.

5 To approve a resolution for the declaration of a dividend to shareholders for the financial year ended 31 December 2013.

6 To approve a resolution for the payment of honoraria to directors.

7 To re-appoint Messrs PricewaterhouseCoopers as external auditors of the Co-operative for the financial year ending 31 December 2014.

8 To consider such other business not included in this notice of which at least 10 days' notice in writing shall have been given to the Secretary.

BY ORDER OF THE BOARD OF DIRECTORS

Thanalakshmi d/o M R Balakrishnan
Secretary

Singapore
5 May 2014

Notes

Notes

MCI (P)080/04/2014

NTUC Income Insurance Co-operative Limited
NTUC Income Centre 75 Bras Basah Road Singapore 189557
www.income.com.sg