MADE DIFFERENT

Consolidated Financial Statements

2014

Content

Directors' Report

For the Financial Year Ended 31 December 2014

NTUC Income was the first Co-operative set up by the Labour Movement 45 years ago to provide affordable insurance for workers in Singapore.

As Singapore developed and modernised, NTUC Income has likewise evolved. Today, NTUC Income is a progressive and modern enterprise. It has a well-balanced portfolio of products that maximises value for customers, provides excellent customer services, casts an effective multi-channel distribution network, and is a well-respected brand.

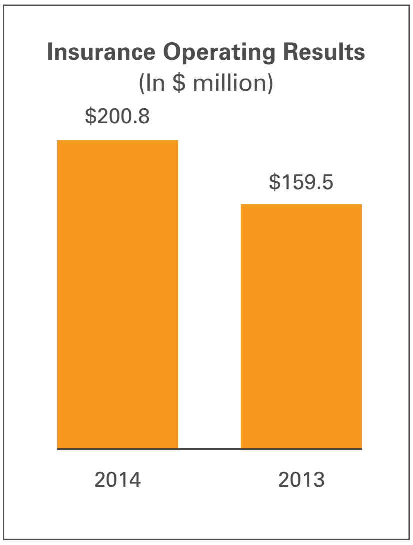
Residents in Singapore look to NTUC Income for trusted advice and solutions when making their most important financial decisions. Through our wide network of advisers and partners, we provide life, health and general insurance products and services to serve the protection, savings and investments needs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

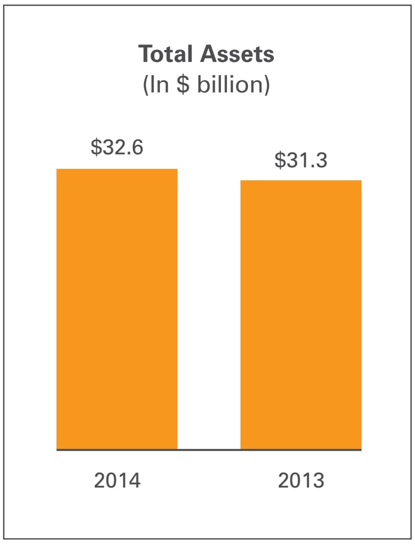
2014 PERFORMANCE HIGHLIGHTS

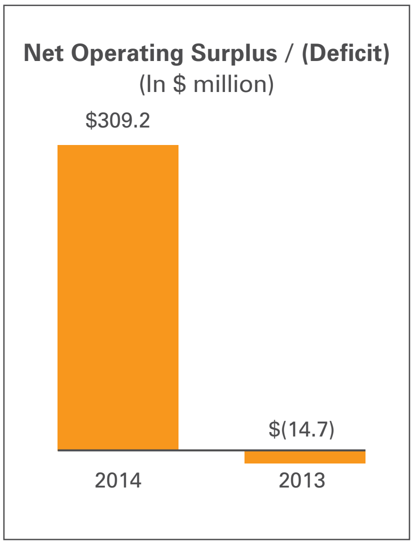
In 2014, the life insurance industry took in $2.8 billion in weighted new business premiums.

Against this backdrop, NTUC Income achieved credible results in 2014. Here are some of NTUC Income's performance highlights:

- Insurance operating results amounted to $200.8 million, the highest in NTUC Income's history.
- At the end of 2014, our assets reached a record $32.6 billion.
- Net operating surplus amounted to $309.2 million, a significant increase over 2013.







LIFE INSURANCE

In 2014, NTUC Income collected $2.4 billion in gross life insurance premiums[1]. This comprised $0.4 billion in single premiums and $2.0 billion in annual premiums.

The total investment return on our Life Insurance Participating Fund was 5.45%. The Board accepted the Appointed Actuary's recommendation to pay out a total bonus amounting to $439.6 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 $649.4 million, up 5.4% from 2013.

[1] Includes life and health insurance

Directors' Report

For the Financial Year Ended 31 December 2014

GENERAL INSURANCE

NTUC Income took in $293.5 million in gross premiums for general insurance, a 3.9% decline over 2013. Gross premiums were impacted by the new regulations imposed by the government to curb vehicle growth in Singapore. Overall, however, the general insurance business registered an underwriting profit of $92.1 million in 2014, an increase from $26.8 million in 2013.

We continue to be a leading motor insurer in Singapore, covering roughly one in four vehicles. In 2014, for the sixth consecutive year, NTUC Income was able to achieve positive underwriting results in motor insurance.

Our motor insurance business was strengthened with a suite of game-changing initiatives. These included Orange Eye, a new mobile application that transforms a smart phone into an in-car camera; OrangeSafe, a free defensive riding course for NTUC Income's motorcycle insurance policyholders; and the Motor Service Centre (MSC), a one-stop accident-reporting and damage-assessment centre to help our customers when they encounter a road accident. The MSC complements Orange Force, our round-the-clock accident response team, that provides assistance to customers at the scene of a road accident. The initiatives are designed to assist our customers, ensure their well being and reduce any inconvenience in the event of an accident.

SHAREHOLDERS

The Directors propose a dividend of 6.0% and a special dividend of 1.5% totaling 7.5% for the financial year ended 31 December 2014.

OUR FINANCIAL STRENGTH AND CORPORATE GOVERNANCE

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

In 2014, NTUC Income continued to maintain a healthy capital adequacy ratio of 285.0%.

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.

FULFILLING OUR SOCIAL PURPOSE

As a social enterprise, NTUC Income is committed to making insurance affordable and accessible to all residents in Singapore. This includes insuring segments in our community who have typically been denied insurance.

In 2014, NTUC Income unveiled SpecialCare (Down Syndrome), the only policy in the market designed for children and young people with down syndrome. SpecialCare (Down Syndrome) followed SpecialCare (Autism), an insurance plan for children and youth with autism that was launched in 2013. People with autism and down syndrome were segments of our population who were previously uninsurable.

Also in 2014, through collaboration with the Ministry of Education (MOE), NTUC Income extended its Income Family Micro-Insurance Scheme (IFMIS) to benefit more low-income families with young children in Government or Government-aided primary schools.

IFMIS is a free insurance policy that pays out $5,000 in the event that the main caregiver of low-income families with young children passes away or becomes totally and permanently disabled. It was launched in April 2010 to cover

Directors' Report

For the Financial Year Ended 31 December 2014

some 13,000 families already registered under the ComCare GROW schemes administered by the five Community Development Councils. These schemes later came under the purview of the Ministry of Social and Family Development.

The collaboration with MOE enables all children in primary schools who are recipients of MOE's Financial Assistance Scheme to be automatically covered under IFMIS, which broadens the scheme's coverage to more than 30,000 families.

In 2014, Spectra Secondary School, one of Singapore's two specialised schools for Normal Technical Education, became a beneficiary of OrangeAid, NTUC Income's corporate social responsibility programme. The funding from OrangeAid for the school's "I Believe" Programme provides more activities and programmes that build up confidence, character and resilience of students at Spectra Secondary School.

Collectively, OrangeAid positively impacted the lives of more than 2,000 children from the 10 beneficiaries we support.

In 2014, NTUC Income contributed more than $2.1 million to the Labour Movement, including $1.0 million to the NTUC U Care Fund that provides assistance to low-income members and their families.

NTUC Income's efforts in doing good received recognition when we were conferred the 2014 President's Award for Philanthropy in the corporate category. The prestigious award is an important validation of what we have been doing and our impact on society.

Looking ahead, NTUC Income is committed to enhancing our OrangeAid programme to help more disadvantaged children and youth to have a better future.

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 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, 24 March 2015

Board of Directors

Mr Stephen Lee　　Mr Tan Suee Chieh　　Dr Audrey Chin

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, as well as Managing Director of Shanghai Commercial and Savings Bank Ltd (Taiwan) and Great Malaysia Textile Investments Pte Ltd.

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, Nominating, and Human Resource & Remuneration Committees.

Mr Tan is the Group Chief Executive of NTUC Enterprise Co-Operative Limited. He has been a Director of NTUC Income since 2003 and was its Chief Executive from 2007 to 2013. He previously held the appointment of President, Asia Pacific Region at SHL Group plc. Prior to that, he was Managing Director for Prudential plc's businesses in Hong Kong, Malaysia and Singapore.

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.

He graduated with honours from the London School of Economics and a Masters in Social Organisational Psychology from Columbia University.

AUDREY CHIN

Director

Dr Audrey Chin was first elected to the Board on 30 May 2008 and last re-elected as director representing Ordinary Members on 3 June 2014. She is a member of the Investment, Risk Management, Nominating, and Human Resource & Remuneration Committees. Dr Chin is also the lead independent director.

Dr Chin is the Chairman of Keppel REIT 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.

Board of Directors

Mr Philip Eng | Dr Sung Cheng Chih | Mr Richard Shermon

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 3 June 2014. 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, 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 first elected to the Board on 24 May 2011 and last re-elected as director representing the Founder Member on 3 June 2014. He is the Chairman of the Risk Management, Nominating, and Human Resource & Remuneration Committees. Dr Sung joined GIC in 1993 and retired as Managing Director and Chief Risk Officer for the GIC Group in 2011.

Dr Sung is currently Investment Advisor to the Singapore Ministry of Finance, Corporate Advisor to Temasek International Advisors Pte Ltd, and non-executive director of Markit Limited, MIT Investment Management Company, and Wealth Management Institute, Singapore. He is also serving on the Expert Panel of the Ministry of Finance in Norway, the Investment and Risk Advisory Panel of the Monetary Authority of Singapore, and the Advisory Board of the Center for Finance and Policy at the Massachusetts Institute of Technology.

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

RICHARD SHERMON

Director

Mr Richard Shermon was first elected to the Board on 24 May 2011 and last re-elected as director representing the Founder Member on 3 June 2014. He is a member of the Audit and Risk Management Committees.

Mr Shermon, originally from the UK, is now an Australian citizen managing his own financial consultancy business based in Melbourne. He has more than 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 Faculty and Institute of Actuaries, UK.

Board of Directors

Mr Heng Chee How | Ms Diana Chia | Mr Choong Tuck Oon

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.

Mr Heng is the Deputy Secretary-General of NTUC. He started his career in the Singapore Police Force before moving to NTUC in 1995. 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 Master of Arts degree from Cambridge University and a Master 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.

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 where he led transformation and technology initiatives for banks and insurance companies in Singapore and in the region. 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 a non-executive director of RHB Bank, RHB Islamic Bank, RHB Private Equity, OSK Indochina Bank, OSK Indochina Securities and FIDE Forum. He is also currently involved as mentor and advisor for various start-up initiatives in NUS Enterprise, MDA and SiTF.

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.

Board of Directors

Mr Lau Wing Tat | Mr Kee Teck Koon | Mr Kevin Scully

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 the Chairman of the Investment Committee.

Mr Lau is currently a director of the Central Provident Fund Board and Hyflux Limited. 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 has a First Class Honours degree in Mechanical Engineering from the University of Singapore and is a Chartered Financial Analyst.

KEE TECK KOON

Director

Mr Kee Teck Koon was elected to the Board on 3 June 2014 as director representing the Founder Member. He is a member of the Investment Committee.

Mr Kee is currently non-executive Chairman of Changi Airports International Pte Ltd and Alexandra Health Fund Limited. He also holds directorships in NTUC Enterprise Co-operative Limited, Raffles Medical Group Ltd and Capitaland Limited, among others.

Mr Kee started his career in 1979 with the Singapore Armed Forces and was with the Ministry of Defence until 1991. Thereafter he held senior management appointments with several organisations before joining the Capitaland Group in 2003. After holding several senior positions, he retired as the Chief Investment Officer of CapitaLand Limited in July 2009.

Mr Kee holds a Master of Arts from Oxford University.

KEVIN SCULLY

Director

Mr Kevin Scully was co-opted to the Board on 1 January 2015 as director representing the Founder Member. He is a member of the Audit and Investment Committees.

Mr Scully holds directorships in PNE Micron Holdings Limited, and Electro Optic Systems (Australia). He is also an executive director of companies related to Netresearch such as NRA Capital Pte Ltd.

Mr Scully is Adjunct Professor at the SIM University's School of Human Development & Social Services. He is a member of the MAS-Commercial Affairs Department panel of experts on securities offences and a member of the Investment Committee of the SIM Group.

Mr Scully has more than 30 years of experience in equities research and analysis, as well as corporate advisory matters, in various positions such as the head of research of Schroder Securities (Singapore) Pte Ltd and director of Schroder Asia Securities (Hong Kong) Limited. Over the last 15 years, he worked in the Netresearch-Asia group.

Mr Scully holds a Bachelor of Social Science (Honours) in Economics from the National University of Singapore.

Making a Difference in our Community

NTUC INCOME KITE FESTIVAL 2014

While kites have become increasingly sophisticated, innovative and creative over the years, kite-flying remains an inclusive and wholesome activity that brings friends and family together.

The transformation of kites mirrors the evolution of NTUC Income itself – we have become more dynamic and able to meet the needs of a new generation of Singaporeans better.

At the same time, we have retained our foundational purpose of making essential insurance accessible and affordable to all.

That is why NTUC Income is closely associated with the annual Kite Festival. In 2014, NTUC Income volunteers hosted about 200 guests from some of our OrangeAid beneficiaries.

PRESIDENT'S AWARD FOR PHILANTHROPY

NTUC Income was conferred the prestigious 2014 President's Award for Philanthropy in the corporate category.

As a social enterprise that is "made different" and with doing good as part of our DNA, the recognition is especially meaningful and will inspire us to do more to take OrangeAid to a higher level.

ORANGEAID DONOR APPRECIATION

In May 2014, students from Assumption Pathway School's culinary class baked cookies and bread, and distributed them at NTUC Income's Bras Basah and Tampines branches. This was part of the OrangeAid Donor Appreciation drive for NTUC Income policyholders who contributed to OrangeAid through outright donations or the rounding up of their policy premiums.

ntuc income orangeaid

CHINESE NEW YEAR VISIT TO THK HOME FOR DISABLED@EUNOS

NTUC Income's annual visit to THK Home for Disabled@Eunos, one of our beneficiaries of OrangeAid, is a cherished tradition that dates back more than two decades. Many in NTUC Income have seen some of the Home's residents grow up from young children to cheerful adults.

In 2014, more than 100 volunteers from NTUC Income participated in the visit.

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), the Co-operative Societies Act and the By-Laws of NTUC Income.

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 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 12 members as follows:

Chairman	Stephen Lee
Directors	Tan Suee Chieh
	Audrey Chin
	Philip Eng
	Sung Cheng Chih
	Richard Shermon
	Heng Chee How
	Diana Chia
	Choong Tuck Oon
	Lau Wing Tat
	Kee Teck Koon
	Kevin Scully

Mr Kee Teck Koon was elected to the Board at the 44th Annual General Meeting (AGM) held on 3 June 2014. Mr Kevin Scully was co-opted to the Board on 1 January 2015.

Dr Audrey Chin was appointed as the lead independent director with effect from 4 June 2014.

Mr Kevin Kwok stepped down from the Board with effect from 2 January 2015. Mr Chua Lee Ming, who was elected to the Board at the 44th AGM stepped down from the Board on 1 February 2015.

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. The directors collectively possess a wide spectrum of these competencies. There is a good mix of general business background and specialist skills. With their broad knowledge, expertise and experience from different industries, the Board provides valuable insights and advice to management.

The NC has formalised a continuous development programme for the directors to further equip them with appropriate skills to perform their roles on the Board and Board Committees. This is in line with the Guidelines on Corporate Governance. However, in order to have more flexibility, 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. 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.

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.

Corporate Governance

The NC considers all but five directors to be independent. The non-independent directors comprise Mr Stephen Lee, Mr Tan Suee Chieh, Mr Heng Chee How, Ms Diana Chia and Mr Kee Teck Koon, all of whom are connected to NTUC Enterprise, a substantial shareholder. 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 plan, 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.

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

The directors attend the 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 2014

Name of Director	Board		Audit Committee (AC)		Investment Committee (IC)	
	No. of meetings Held@	No. of meetings Attended	No. of meetings Held@	No. of meetings Attended	No. of meetings Held@	No. of meetings Attended
Stephen Lee	5	5	–	–	–	–
Tan Suee Chieh(1)	5	5	–	–	4	3
Audrey Chin(2)	5	4	–	–	4	4
Philip Eng	5	4	5	5	–	–
Sung Cheng Chih	5	5	–	–	–	–
Richard Shermon(3)	5	5	2	2	2	2
Heng Chee How(4)	5	3	–	–	–	–
Diana Chia(5)	5	4	5	5	–	–
Choong Tuck Oon	5	5	–	–	–	–
Kevin Kwok(6)	5	4	3	3	2	1
Lau Wing Tat	5	5	–	–	4	4
Kee Teck Koon(7)	2	2	–	–	2	2
Chua Lee Ming(8)	2	2	2	2	–	–
Gabriel Teo(9)	3	2	–	–	2	1
Tan Cheng Han(9)	3	3	3	2	–	–

Corporate Governance

Name of Director	Risk Management Committee (RMC)		Nominating Committee (NC)#		Human Resource & Remuneration Committee (HRRC)	
	No. of meetings		No. of meetings		No. of meetings	
	Held@	Attended	Held@	Attended	Held@	Attended
Stephen Lee	–	–	–	–	–	–
Tan Suee Chieh(1)	4	4	3	2	4	3
Audrey Chin(2)	4	4	3	3	2	2
Philip Eng	–	–	–	–	–	–
Sung Cheng Chih	4	4	7	7	4	4
Richard Shermon(3)	4	4	–	–	–	–
Heng Chee How(4)	4	4	4	0	–	–
Diana Chia(5)	–	–	–	–	–	–
Choong Tuck Oon	4	4	–	–	–	–
Kevin Kwok(6)	–	–	–	–	–	–
Lau Wing Tat	–	–	–	–	–	–
Kee Teck Koon(7)	–	–	–	–	–	–
Chua Lee Ming(8)	–	–	–	–	–	–
Gabriel Teo(9)	–	–	–	–	–	–
Tan Cheng Han(9)	–	–	4	4	2	2

@ 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) Appointed as member of HRRC on 15 Jan 2014 and member of NC on 4 Jun 2014

(2) Appointed as member of HRRC and NC on 4 Jun 2014

(3) Stepped down as member of IC and appointed as member of AC on 4 Jun 2014

(4) Stepped down as member of NC on 4 Jun 2014

(5) Stepped down as member of HRRC on 15 Jan 2014

(6) Stepped down as member of AC and appointed as member of the IC on 4 Jun 2014

(7) Elected as director at the 44th AGM on 3 Jun 2014 and appointed as member of IC on 4 Jun 2014

(8) Elected as director at the 44th AGM on 3 Jun 2014 and appointed as member of AC on 4 Jun 2014

(9) Retired from the Board on 3 Jun 2014

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer (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.

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 program was conducted in 2014 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.

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 & 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. The respective terms of reference are reviewed periodically to ensure alignment to the Notices and Guidelines issued by the MAS.

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

Chairman	Philip Eng
Members	Richard Shermon
	Diana Chia
	Kevin Scully

Mr Kevin Kwok stepped down from the AC with effect from 4 June 2014 and Mr Richard Shermon and Mr Chua Lee Ming were appointed as members of the AC. Mr Chua served on the AC until 1 February 2015. Mr Kevin Scully was appointed to the AC with effect from 3 March 2015.

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 has a direct reporting line to the Chairman of the AC. The Internal Audit (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 CEO and certain senior management executives attended these meetings. The external auditors attended three 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 IA, 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 could 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.

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 seven members as follows:

Chairman Lau Wing Tat

Members Tan Suee Chieh
Audrey Chin
Kee Teck Koon
Kevin Scully
Ken Ng (Chief Executive Officer)
Lau Sok Hoon (Appointed Actuary)

Following Mr Gabriel Teo's retirement, Mr Lau Wing Tat was appointed as the Chairman of the IC. Mr Richard Shermon stepped down from the IC with effect from 4 June 2014 and Mr Kee Teck Koon and Mr Kevin Kwok were appointed as members. Mr Kwok served until his resignation on 2 January 2015. Mr Kevin Scully was appointed to the IC following his co-option to the Board.

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, or endorse for Board's approval, the strategy, framework and policies for risk management and capital management
- Set enterprise level risk appetite and tolerance limits
- Oversee the establishment and operation of an independent enterprise-wide risk management system
- Ensure management has established adequate systems and processes for the identification, measurement, management, monitoring and reporting of risks
- Highlight to the Board issues of concern on key risks

The Chief Risk Officer has a direct reporting line 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 Enterprise Risk Management framework with the objective of further strengthening the Co-operative's risk management approaches, practices and responses to key risks, and meeting regulatory requirements. The RMC reviewed and discussed amongst others, the Co-operative's Own Risk and Solvency Assessment (ORSA), Risk Appetite Statement, capital and solvency management, business planning, regulatory developments, risk policies, risk reports and operational risk management.

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

Chairman	Sung Cheng Chih
Members	Tan Suee Chieh
	Audrey Chin

Following Prof Tan Cheng Han's retirement, Dr Sung Cheng Chih was appointed as the Chairman of the NC. Mr Heng Chee How stepped down from the NC with effect from 4 June 2014 and Mr Tan Suee Chieh and Dr Audrey Chin were appointed as members.

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

Corporate Governance

- Determine the independence of each director prior to every AGM based on the definition and criteria set out in the provisions of the prevailing Insurance (Corporate Governance) Regulations
- Review and assess whether each existing director remains qualified for the office using the criteria set out in the provisions of the prevailing Insurance (Corporate Governance) Regulations, 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
- 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 on 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 seven 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 independence of directors. 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	Sung Cheng Chih
Members	Tan Suee Chieh
	Audrey Chin

Ms Diana Chia stepped down from the HRRC and Mr Tan Suee Chieh was appointed as a member on 15 January 2014. Following Prof Tan Cheng Han's retirement, Dr Sung Cheng Chih was appointed as the Chairman of the HRRC. In addition, Dr Audrey Chin was appointed as a member with effect from 4 June 2014.

Corporate Governance

The key duties and responsibilities of the HRRC are to:

- Review and recommend a framework for determining the remuneration of non-executive directors and the CEO
- Review and recommend a framework for determining the remuneration of executive officers based on the factors set out in the prevailing Insurance (Corporate Governance) Regulations, 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 pay-out and long term incentive plans
- 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 NC 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 the senior management team, succession planning for senior management and 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 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 retention 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 versus 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.

Corporate Governance

Remuneration of Non-Executive Directors

In 2014, the Nominating Committee of NTUC Enterprise carried out an interim review of the honoraria paid to the NTUC Income directors who are members of Tier 1 Board Committees comprising the Audit, Risk Management and Investment Committees. The review took into account the heavier responsibilities imposed on the directors appointed to Tier 1 Board Committees arising from more rigorous guidelines and regulations. These directors are also subject to more complex and lengthy preparation work prior to attendance at committee meetings. An increase of $5,000 per annum was recommended for the honoraria paid to the Chairman and members of Tier 1 Board Committees. There was no change to the other components of the honoraria structure.

Based on the revised fee structure, the honoraria payable to non-executive directors in 2014 was approved at the last AGM as follows:

Chairman	$50,000
Deputy Chairman / Chairman of Audit, Risk or Investment Committee	$47,500
Member of Audit, Risk or Investment Committee	$41,250
Chairman of Human Resource & Remuneration or Nominating 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 2014

Name of Director	Director Fee	Fee for attendance at Board meetings	Total Remuneration
Stephen Lee	$50,000.00	$250	$50,250.00
Tan Suee Chieh	$41,250.00	$250	$41,500.00
Audrey Chin	$41,250.00	$200	$41,450.00
Philip Eng	$47,500.00	$200	$47,700.00
Sung Cheng Chih	$47,500.00	$250	$47,750.00
Richard Shermon	$41,250.00	$250	$41,500.00
Heng Chee How	$41,250.00	$150	$41,400.00
Diana Chia	$41,250.00	$200	$41,450.00
Choong Tuck Oon	$41,250.00	$250	$41,500.00
Kevin Kwok	$41,250.00	$200	$41,450.00
Lau Wing Tat	$44,863.01	$250	$45,113.01
Kee Teck Koon(1)	$23,845.89	$100	$23,945.89
Chua Lee Ming(1)	$23,845.89	$100	$23,945.89
Gabriel Teo(2)	$20,041.10	$100	$20,141.10
Tan Cheng Han(2)	$17,404.11	$150	$17,554.11

(1) *Elected as director at 44th AGM on 3 Jun 2014*

(2) *Retired from the Board on 3 Jun 2014*

Immediate Family Member of Directors

The Co-operative did not employ any immediate family member of a director in 2014.

Corporate Governance

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.

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 AGMs 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 Risk Management Committee (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).

Corporate Governance

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.

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
     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 control 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 Risk Management Committee 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.

Corporate Governance

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.

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 ERM 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 ALM approach that drives the Co-operative's Strategic Asset Allocation. 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 minimise 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 Strategic Asset Allocation (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 2014

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

For 2014, the economic environment experienced a moderate growth. The Co-operative remains financially sound and the insurance contract provisions are sufficient to meet future obligations. Our assets increased by $624 million while insurance contract provisions increased by $344 million.

Insurance Funds	* Net Assets ($million)			Insurance Contract Provisions ($million)		
	31-Dec-13	31-Dec-14	% change	31-Dec-13	31-Dec-14	% change
Life Insurance Funds						
Participating Fund	24,259	**24,447**	0.8%	23,982	**24,117** ^	0.6%
Non-Participating Fund	2,427	**2,687**	10.7%	1,481	**1,613**	8.9%
Investment-Linked Fund	1,359	**1,491**	9.7%	1,347	**1,481**	9.9%
General Insurance Fund	1,268	**1,312**	3.5%	665	**608**	-8.6%
Total Insurance Funds	29,313	**29,937**	2.1%	27,475	**27,819**	1.3%

* Net Assets is the assets net of other liabilities.
^ Includes Investment contract liabilities of $27.2 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, mortality, and annuitants' mortality to reflect expected experience more closely.

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 2014, the return for the Life Insurance Participating Fund was at 5.45%. I recommended to the Board of Directors and senior management to continue monitoring the future investment performance closely for the current bonus allocation.

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 2014 and adopt the terminal (or special) bonus scales planned for 2015.

Appointed Actuary's Report

For the financial year ended 31 December 2014

Below is a summary of the financials after taking account of the following changes in the respective insurance funds in 2014.

(in $'000)	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 2013	276,714	344,636	12,234	603,365
Add Investment Income from Surplus Account	13,424	NA	NA	NA
Add Net Surplus for the year ^	48,845*	139,938	(1,398)	125,472
Less transfer to reserve for future distribution	–	80,512	–	–
Less transfer to Shareholders' Fund	8,971	11,885	–	25,093
Accumulated Surplus held in Insurance Funds as at 31 Dec 2014	330,012	392,177	10,836	703,744

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

The total bonus in 2014 is $439.6 million, which includes $117.2 million of bonus that was paid in anticipation on surplus, on policies that terminated in the year 2014. With this, I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $48.8 million, to the Life Insurance Participating Fund Surplus Account. In addition, we will continue to transfer 18% of this amount (or $9.0 million) to the Shareholders' Fund.

I also recommended a transfer to the Shareholders' Fund of $11.9 million from the Life Insurance Non-Participating Fund and $25.1 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.

The above recommendations are agreed and approved by the Board of Directors.

LAU SOK HOON
Appointed Actuary

Singapore, 24 March 2015

Appointed Actuary's Report

For the financial year ended 31 December 2014

Appendix A

BONUS RATES

(a) Annual Bonus and Compounding rates

Bonus Series	2014 Annual Bonus Rates	2014 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%
R – Vivocare 100	$7	0.7%
R – Vivolife Revamp	$3	0.3%
R – LP Revosave 5-Pay-10	$5	0.5%
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 2014

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 instalment amount
– 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 2014. They will vest on 1 April 2015 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 2014. For annuities, bonus is added on their policy anniversaries from 1 April 2015 to 31 March 2016.

(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	119%	90%	96%	102%	75%	80%
15	89%	69%	72%	74%	56%	58%
20	75%	59%	61%	75%	59%	61%
25	67%	54%	55%	67%	54%	55%
30	62%	50%	50%	62%	50%	50%
35	58%	47%	47%	58%	47%	47%
40	56%	45%	45%	56%	45%	45%

CB Series

	For Deaths & Maturities		For Surrenders	
Policy Year	**Whole Life**	**Endowment**	**Whole Life**	**Endowment**
5	154%	128%	103%	82%
10	109%	93%	67%	55%
15	74%	64%	61%	51%
20	57%	49%	44%	38%
25	48%	42%	48%	42%
30	44%	39%	44%	39%
35	41%	36%	41%	36%
40	39%	35%	39%	35%

EV Series – part 1

	For Deaths & Maturities				For Surrenders			
Policy Year	**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%

Appointed Actuary's Report

For the financial year ended 31 December 2014

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) Terminal Bonus (continued)

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 Revosave 5-Pay-10	SP SAIL	RP SAIL	Vivosave	LP Revosave 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

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

Appointed Actuary's Report

For the financial year ended 31 December 2014

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) Terminal Bonus (continued)

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 / Vivocare 100	Vivochild (5-Pay)	Vivochild (10-Pay)	Vivochild (Full Pay)	Vivolife	Vivocare / Vivocare 100
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%

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

Appointed Actuary's Report

For the financial year ended 31 December 2014

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) Terminal Bonus (continued)

R Series – part 5

Policy Year	For Deaths & Maturities: Vivolife 125	For Deaths & Maturities: Vivolife 180	For Deaths & Maturities: Vivolife 350	For Deaths & Maturities: LP Revosave 5-Pay-10	For Surrenders: Vivolife 125	For Surrenders: Vivolife 180	For Surrenders: Vivolife 350	For Surrenders: LP Revosave 5-Pay-10
5	0%	0%	0%	250%	65%	75%	75%	240%
10	200%	200%	200%	375%	65%	75%	75%	365%
15	400%	400%	400%	NA	210%	195%	116%	NA
20	600%	600%	600%	NA	350%	440%	330%	NA
25	740%	740%	1420%	NA	484%	660%	1000%	NA
30	740%	740%	1445%	NA	595%	760%	1050%	NA
35	752%	752%	1470%	NA	605%	870%	1100%	NA
40	780%	780%	1495%	NA	628%	920%	1150%	NA

R Series – part 6

Policy Year	For Deaths & Maturities: SP SAIL	For Deaths & Maturities: RP SAIL	For Surrenders: SP SAIL	For Surrenders: 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

Policy Year	For Death & Maturities: SB Series (WL)	For Death & Maturities: SB Series (Endowment)	For Death & Maturities: DP Series (WL)	For Death & Maturities: AD Series	For Surrenders: SB Series (WL)	For Surrenders: SB Series (Endowment)	For Surrenders: DP Series (WL)	For Surrenders: AD Series
5	117%	92%	0%	25%	74%	54%	0%	0%
10	75%	63%	0%	25%	40%	31%	0%	15%
15	57%	49%	34%	25%	45%	37%	24%	15%
20	46%	39%	33%	25%	34%	28%	23%	25%
25	40%	35%	32%	25%	40%	35%	32%	25%
30	37%	33%	31%	25%	37%	33%	31%	25%
35	36%	32%	31%	25%	36%	32%	31%	25%
40	35%	31%	31%	25%	35%	31%	31%	25%

Terminal (or special) 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 2015. For Dreamsaver, the terminal bonus rates are declared as a percentage of the monthly premiums.

Statement by Directors

For the financial year ended 31 December 2014

In the opinion of the directors,

(a) the consolidated financial statements of the Group as set out on pages 34 to 123 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended 31 December 2014; 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, 24 March 2015

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 34 to 123, which comprise the consolidated balance sheet of the Group as at 31 December 2014, 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(t) and 20 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 $439,541,000 (2013: $439,430,000) less the corresponding treasury shares of $14,159,000 (2013: $14,159,000) would be reflected as a liability, and dividends paid of $25,506,000 (2013: $25,499,000) 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 2014, 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 all material respects, in accordance with the By-Laws of the Co-operative and the provisions of the Act.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants
Singapore, 24 March 2015

Consolidated Balance Sheet

As at 31 December 2014

		The Group 2014					
	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	9,745	–	–	–	–	9,745
Intangible assets	6	30,636	7,170	–	–	–	37,806
Investment properties	7	1,632,098	–	–	–	–	1,632,098
Investment in subsidiaries	8	–	–	–	–	–	–
Investment in joint venture	9	94,539	–	–	–	–	94,539
Investment in associated companies	10	343,213	–	–	–	127,009	470,222
Other financial assets	11	22,207,981	2,611,525	1,446,455	1,229,178	752,876	28,248,015
Loans	13	694,011	–	–	1	–	694,012
Derivative financial instruments	14	52,537	59	4,621	1,108	88	58,413
Reinsurers' share of insurance contract provisions	15	–	–	–	29,104	–	29,104
Insurance and other receivables	16	107,599	11,477	20,970	9,489	48,291	197,826
Cash and cash equivalents	17	721,234	142,165	61,026	157,742	24,863	1,107,030
		25,893,593	2,772,396	1,533,072	1,426,622	953,127	32,578,810
LIABILITIES							
Insurance contract provisions	15	24,090,177	1,612,741	1,480,573	637,591	–	27,821,082
Investment contract liabilities		27,160	–	–	–	–	27,160
Derivative financial instruments	14	244,693	15,146	5,979	16,589	5,094	287,501
Borrowings	18	416,752	–	–	–	598,895	1,015,647
Insurance and other payables	19	780,825	70,603	35,684	68,698	36,404	992,214
		25,559,607	1,698,490	1,522,236	722,878	640,393	30,143,604
NET ASSETS		333,986	1,073,906	10,836	703,744	312,734	2,435,206
SHARE CAPITAL AND RESERVES							
Share capital	20	–	–	–	–	439,541	439,541
Treasury shares		–	–	–	–	(14,159)	(14,159)
Reserves for future distribution	21	–	681,729	–	–	–	681,729
Fair value reserve		–	–	–	–	15,313	15,313
Accumulated deficit of Shareholders' Fund	29	–	–	–	–	(127,961)	(127,961)
Accumulated surplus of insurance funds – Life Insurance Par Fund	28	330,012	–	–	–	–	330,012
– Other Insurance Funds	29	–	392,177	10,836	703,744	–	1,106,757
		330,012	1,073,906	10,836	703,744	312,734	2,431,232
Non controlling interest		3,974	–	–	–	–	3,974
Total equity		333,986	1,073,906	10,836	703,744	312,734	2,435,206

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

Consolidated Balance Sheet

As at 31 December 2014

		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	13	694,254	–	–	96	–	694,350
Derivative financial instruments	14	64,998	15	1,236	882	395	67,526
Reinsurers' share of insurance contract provisions	15	–	–	–	29,390	–	29,390
Insurance and other receivables	16	115,679	39,848	26,915	16,156	25,023	223,621
Cash and cash equivalents	17	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	15	23,952,479	1,481,331	1,347,180	694,456	–	27,475,446
Investment contract liabilities		32,760	–	–	–	–	32,760
Derivative financial instruments	14	86,262	3,591	3,590	4,555	2,598	100,596
Borrowings	18	419,849	–	–	–	598,772	1,018,621
Insurance and other payables	19	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	20	–	–	–	–	439,430	439,430
Treasury shares		–	–	–	–	(14,159)	(14,159)
Reserves for future distribution	21	–	601,217	–	–	–	601,217
Fair value reserve		–	–	–	–	(13,208)	(13,208)
Accumulated deficit of Shareholders' Fund	29	–	–	–	–	(129,873)	(129,873)
Accumulated surplus of insurance funds – Life Insurance Par Fund	28	276,714	–	–	–	–	276,714
– Other Insurance Funds	29	–	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 Statement of Comprehensive Income

For the financial year ended 31 December 2014

		The Group 2014					
	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		1,500,305	649,358	261,887	293,486	–	2,705,036
Reinsurance premiums		(20,459)	(154,185)	–	(12,726)	–	(187,370)
Net premiums		1,479,846	495,173	261,887	280,760	–	2,517,666
Fee and other income	22	17,173	50	–	2,362	13	19,598
Net investment income / (losses) and fair value gains / (losses)	23	1,197,187	184,441	98,313	34,306	8,051	1,522,298
Total		2,694,206	679,664	360,200	317,428	8,064	4,059,562
Benefits and claims							
Gross claims, surrenders and annuities		2,478,044	395,962	220,286	151,658	–	3,245,950
Bonus to policyholders	15	322,412	–	–	–	–	322,412
(Decrease) / Increase in insurance contract provisions	15	(312,655)	149,131	133,393	(46,700)	–	(76,831)
Less: Reinsurers' share of insurance benefits and claims		(9,225)	(80,583)	–	(4,888)	–	(94,696)
Net insurance benefits and claims		2,478,576	464,510	353,679	100,070	–	3,396,835
Expenses							
Interest expenses	18	4,695	–	–	–	22,023	26,718
Selling expenses		80,440	20,877	5,394	34,042	–	140,753
Management expenses	24	68,226	54,339	2,525	57,844	3,126	186,060
Total claims and expenses		2,631,937	539,726	361,598	191,956	25,149	3,750,366
Net operating surplus / (deficit)		62,269	139,938	(1,398)	125,472	(17,085)	309,196
Transfer to insurance contract provisions	15	(14,358)	–	–	–	–	(14,358)
Transfer to Shareholders' Fund		(8,971)	(11,885)	–	(25,093)	45,949	–
Contribution to Central Co-operative Fund		–	–	–	–	(25)	(25)
Contribution to Singapore Labour Foundation		–	–	–	–	(2,353)	(2,353)
Share of result of associated companies and joint venture		14,383	–	–	–	932	15,315
Net surplus / (deficit) for the year		53,323	128,053	(1,398)	100,379	27,418	307,775

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

		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	22	17,849	1,205	–	2,092	26	21,172
Net investment income / (losses) and fair value gains / (losses)	23	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	15	317,812	–	–	–	–	317,812
(Decrease) / Increase in insurance contract provisions	15	(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	18	16,086	–	–	–	22,018	38,104
Selling expenses		102,123	21,849	2,568	33,593	–	160,133
Management expenses	24	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	15	(2,048)	–	–	–	–	(2,048)
Transfer to Shareholders' Fund		(8,408)	(881)	–	(14,405)	23,694	–
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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

		The Group 2014					
	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:							
Items that may be reclassified subsequently to profit or loss:							
Financial assets, available-for-sale: – Fair value gain / (loss) through reserve		**116,061**	–	–	–	**28,521**	**144,582**
Share in other comprehensive income of associated companies and joint venture	10	**(3)**	–	–	–	–	**(3)**
Transfer to insurance contract provisions	15	**3**	–	–	–	–	**3**
Change in liabilities for insurance contracts arising from unrealised available-for-sale movements	15	**(113,586)**	–	–	–	–	**(113,586)**
Items that will not be reclassified subsequently to profit or loss:							
Transfer to reserves for future distribution	21	–	**(80,512)**	–	–	–	**(80,512)**
Total comprehensive income		**55,798**	**47,541**	**(1,398)**	**100,379**	**55,939**	**258,259**
Net surplus / (deficit) for the year excluding non controlling interest		**53,298**	**128,053**	**(1,398)**	**100,379**	**27,418**	**307,750**
Non controlling interest		**25**	–	–	–	–	**25**
		53,323	**128,053**	**(1,398)**	**100,379**	**27,418**	**307,775**
Total comprehensive income / (loss) excluding non controlling interest		**53,298**	**47,541**	**(1,398)**	**100,379**	**55,939**	**255,759**
Non controlling interest		**2,500**	–	–	–	–	**2,500**
		55,798	**47,541**	**(1,398)**	**100,379**	**55,939**	**258,259**

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

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2014

	Note	The Group 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
Other comprehensive income:							
Items that may be reclassified subsequently to profit or loss:							
Financial assets, available-for-sale: – Fair value gain / (loss) through reserve		15,800	–	–	–	(12,428)	3,372
Share in other comprehensive income of associated companies and joint venture	10	12	–	–	–	60	72
Transfer to insurance contract provisions	15	(12)	–	–	–	–	(12)
Change in liabilities for insurance contracts arising from unrealised available-for-sale movements	15	(15,800)	–	–	–	–	(15,800)
Items that will not be reclassified subsequently to profit or loss:							
Transfer from reserves for future distribution	21	–	111,897	–	–	–	111,897
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

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

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2014

		The Group					
	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
Share capital							
At 1 January 2014		–	–	–	–	439,430	439,430
Issuance of participating shares	20	–	–	–	–	1,631	1,631
Redemption of participating shares	20	–	–	–	–	(1,520)	(1,520)
At 31 December 2014		–	–	–	–	439,541	439,541
At 1 January 2013		–	–	–	–	439,255	439,255
Issuance of participating shares	20	–	–	–	–	1,710	1,710
Redemption of participating shares	20	–	–	–	–	(1,535)	(1,535)
At 31 December 2013		–	–	–	–	439,430	439,430
Accumulated surplus							
At 1 January 2014		276,714	344,636	12,234	603,365	(129,873)	1,107,076
Net surplus / (deficit) for the year		53,298	128,053	(1,398)	100,379	27,418	307,750
Transfer to reserves for future distribution		–	(80,512)	–	–	–	(80,512)
Transfer between Insurance Funds		–	–	–	–	–	–
Dividends for 2013 paid	27	–	–	–	–	(25,506)	(25,506)
At 31 December 2014		330,012	392,177	10,836	703,744	(127,961)	1,308,808
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	27	–	–	–	–	(25,499)	(25,499)
At 31 December 2013		276,714	344,636	12,234	603,365	(129,873)	1,107,076
Fair value reserve							
At 1 January 2014		–	–	–	–	(13,208)	(13,208)
Comprehensive income for the year		–	–	–	–	28,521	28,521
At 31 December 2014		–	–	–	–	15,313	15,313
At 1 January 2013		–	–	–	–	(840)	(840)
Comprehensive income / (loss) for the year		–	–	–	–	(12,368)	(12,368)
At 31 December 2013		–	–	–	–	(13,208)	(13,208)
Reserves for future distribution							
At 1 January 2014		–	601,217	–	–	–	601,217
Transfer to accumulated surplus		–	80,512	–	–	–	80,512
At 31 December 2014	21	–	681,729	–	–	–	681,729
At 1 January 2013		–	713,114	–	–	–	713,114
Transfer from surplus for the year		–	(111,897)	–	–	–	(111,897)
At 31 December 2013	21	–	601,217	–	–	–	601,217

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

Consolidated Statement of Changes In Equity

For the financial year ended 31 December 2014

	Note	The Group					
	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
Treasury shares							
At 1 January 2014		**–**	**–**	**–**	**–**	**(14,159)**	**(14,159)**
At 31 December 2014		**–**	**–**	**–**	**–**	**(14,159)**	**(14,159)**
At 1 January 2013		–	–	–	–	(14,159)	(14,159)
At 31 December 2013		–	–	–	–	(14,159)	(14,159)
At 31 December 2014		**330,012**	**1,073,906**	**10,836**	**703,744**	**312,734**	**2,431,232**
At 31 December 2013		276,714	945,853	12,234	603,365	282,190	2,120,356
Equity of non-controlling interest							
At 1 January 2014		**1,474**	**–**	**–**	**–**	**–**	**1,474**
Comprehensive income for the year		**2,500**	**–**	**–**	**–**	**–**	**2,500**
At 31 December 2014		**3,974**	**–**	**–**	**–**	**–**	**3,974**
At 1 January 2013		1,442	–	–	–	–	1,442
Comprehensive income for the year		32	–	–	–	–	32
At 31 December 2013		1,474	–	–	–	–	1,474
Total at 31 December 2014		**333,986**	**1,073,906**	**10,836**	**703,744**	**312,734**	**2,435,206**
Total at 31 December 2013		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 Statement of Cash Flows

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Net surplus after levy		**307,775**	647
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		**2,378**	–
Depreciation of property, plant and equipment		**3,195**	3,107
Amortisation of bonds, borrowing and finance cost		**1,795**	–
Amortisation of intangible assets		**13,906**	13,199
Gain on disposal of property, plant and equipment and intangible asset		**–**	(98)
Interest income		**(39,235)**	(44,168)
Dividend income		**(221,560)**	(253,376)
Interest expense		**26,718**	38,104
Gain on changes in fair value of other financial assets		**(1,569,318)**	(395,898)
Gain on changes in fair value of loans		**–**	(10,159)
Loss on changes in fair value of derivatives		**341,799**	233,982
Gain on changes in fair value of investment properties		**(50,024)**	(41,481)
Gain on sale of investment properties		**–**	(1,349)
Allowance for impairment made during the year		**14**	14,606
Allowance for doubtful loans written back		**(109)**	(375)
Loans (written back) / written off		**(6)**	265
Allowance for doubtful receivables written back		**(1,124)**	(122)
Bonus to policyholders		**322,412**	317,812
Decrease in reinsurers' share of insurance contract provision		**286**	773
Decrease / (Increase) in insurance contract provisions		**23,224**	(428,496)
Negative goodwill arising from acquisition of subsidiary		**–**	(8,233)
Share of profit of associated companies and joint venture company		**(15,315)**	(17,399)
Other non-cash adjustment		**2,475**	–
Operating cash flows before changes in working capital		**(850,714)**	(578,659)
Changes in working capital:			
Insurance and other receivables		**18,937**	16,034
Insurance and other payables		**476,152**	(322,656)
Investment contract liabilities		**(5,600)**	(6,507)
Cash used in operations		**(361,225)**	(891,788)
Cash flows used in operating activities		**(361,225)**	(891,788)

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

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Investing activities			
Acquisition of a subsidiary, net of cash acquired		**–**	(21,960)
Purchase of property, plant and equipment		**(3,568)**	(3,283)
Purchase of intangible assets		**(8,936)**	(17,421)
Purchase of investment properties		**(43,373)**	(24,175)
Proceeds from disposal of property, plant and equipment and intangible assets		**60**	112
Proceeds from disposal of associated companies		**3,475**	21,291
Proceeds from disposal of investment properties		**–**	2,840
Interest received		**616,253**	601,442
Dividends received		**223,642**	252,108
Investment in associated companies and joint venture company		**(21,003)**	–
Increase in other financial assets and derivative instruments (net)		**(192,611)**	(909,979)
Increase in loans (net)		**453**	396,577
Cash flows from investing activities		**574,392**	297,552
Financing activities			
Proceeds from issuance of common shares		**1,631**	1,710
Redemption of common shares		**(1,520)**	(1,535)
Dividends paid		**(25,506)**	(25,499)
Interest paid		**(33,740)**	(37,986)
Redemption of fixed rate bonds		**(420,000)**	–
Proceeds from bank borrowings		**420,000**	–
Payment of financing costs on bank borrowings		**(4,769)**	–
Cash flows used in financing activities		**(63,904)**	(63,310)
Net increase / (decrease) in cash and cash equivalents		**149,263**	(657,546)
Cash and cash equivalents at beginning of the year		**957,767**	1,615,313
Cash and cash equivalents at end of the year	17	**1,107,030**	957,767

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

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 2014

On 1 January 2014, 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 except for the following:

FRS 112 Disclosures of Interest in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) *Separate Financial Statements and* FRS 28 (revised 2011) *Investments in Associates and Joint Ventures.*

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112. The Group has incorporated the additional required disclosures into the financial statements.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

Life Insurance Contracts (continued)

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(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.

(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 flows, 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 prospective investment return. Any deficiency is charged to profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(i) Group accounting

(i) Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that 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 comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that 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 the subsidiary, even if this results in non-controlling interests having a deficit balance.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group accounting (continued)

(i) Subsidiaries (continued)

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 within equity attributable to the equity holders of the Co-operative.

(ii) Joint ventures

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities. The Group's interest in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

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 other comprehensive income is recognised in other comprehensive income 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 legal or constructive obligations or has made payments on behalf of the joint ventures. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group accounting (continued)

(ii) Joint ventures (continued)

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 are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) Associated companies

Associated companies are entities 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 other comprehensive income is recognised in other comprehensive income directly. These post-acquisition movements and distributions are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations or has made payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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 and any proceeds on partial disposal is recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 costs of preparing the asset for its intended use. Direct expenditures which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured are added to the original cost of the software. Costs associated with maintaining computer software are expensed off 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 recognised in 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 nature of the asset and 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.

(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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investment and other financial assets (continued)

(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 other comprehensive income relating to that asset is reclassified 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. Loans are measured at amortised cost using the effective interest method.

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 other comprehensive income and accumulated in the fair value reserve. Changes in fair value of available-for-sale equity securities (i.e. non-monetary items) are recognised in the other comprehensive income, together with the related currency translation differences.

(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. The quoted market price at the close of trading is adopted for all equity investments. 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 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Investments and other financial assets (continued)

(vii) Offsetting financial instruments

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

(o) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Group considers all of its investments in other funds to be investments in unconsolidated structured entities. The Group invests in funds whose objectives range from achieving medium to long term capital growth. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives.

Unitised funds finance their operations by issuing redeemable shares / units which entitle the holder to a proportional stake in the respective fund's net assets. The Group holds redeemable shares / units in such funds. The change in fair value of the funds is included in the Consolidated Statement of Comprehensive Income in "net investment income / (losses) and fair value gains / (losses)".

The Group also has interests in funds registered as partnership structures. The funds are financed via capital commitments, which entitle the partners to a proportional share of income distributions from such funds. The change in fair value of the funds is included in the Consolidated Balance Sheet within "fair value reserve".

(p) 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 debtor, probability that the 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 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Impairment of assets (continued)

Financial assets, available-for-sale

In addition to the objective evidence of impairment described in Note 2(p)(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 recognised in profit or loss.

(q) 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.

(r) 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 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) Share capital and treasury shares

All paid-up shares are Common Shares and are classified as equity. Although they do not qualify as equity based on the presentation requirements of FRS 32, Financial Instruments: Presentation, 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 (NAV) based on the last audited financial statements, whichever is lower. NAV is computed in accordance with the Co-operative Societies Act.

Dividends on Common 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.

(u) Dividends to the Co-operative's shareholders

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

(v) 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 and the amount has been reliably measured.

Notes to the Financial Statements

For the financial year ended 31 December 2014

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) 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 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 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 the experience on similar plan types as a basis to set the best-estimate assumptions.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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. Expense inflation assumption is the expected long term inflation rate and is based on inflation rates published by the Monetary Authority 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 2014

Assumptions	Life Insurance Fund
Interest Rate	MCL*: Risk Free Rates from Year 1 to Year 20, Long Term Rates thereafter PL*: Best Estimate investment return
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 $67 per policy Non-Par: Initial expense ranging from $53 to $95 and Renewal expense ranging from $8.5 to $16 per policy
Inflation Rate	2.50%
Non-guaranteed future bonus	2014 Bonus Rates
Mortality (Death & TPD)	Par: Adjusted S9702M/F Non-Par: Adjusted 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 or reinsurance rates, whichever is the appropriate mortality table Non-Par: Adjusted ESTender07 Incidence Rates for Eldershield and Eldershield Supplements
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 2014

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 2014, the Group has updated the liability valuation assumptions as compared to 1 January 2014 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 mortality assumptions	(102,143)	-0.8%
Change in annuity mortality assumptions	46,584	0.4%
Change in lapse assumptions	2,065	0.0%
Update of Risk Free Rates to 31 Dec 2014	760	0.0%

* 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 2014. The impact of the changes in the valuation assumptions is shown in the table below:

Changes	Change in insurance contract provision for guaranteed benefits $'000	% Increase / (decrease) in insurance contract provision for guaranteed benefits
Change in mortality assumptions	29,762	2.1%
Change in lapse assumptions	37	0.0%
Change in management expense assumptions	13,940	1.0%
Update of Risk Free Rates to 31 Dec 2014	16,756	1.2%

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 minimum 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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance (continued)

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 2014, there is a change in the basis of the liability valuation assumption for claims handling expenses. In the previous valuation, the claims handling expenses include indirect claim expenses. It has now been changed to exclude indirect claim expenses. This is to better align with industry practice.

Effect of Changing Assumptions used for General Insurance

Changes	Change in Gross Claim Liability $'000	% Increase / (decrease) in Gross Claim Liability
Change in assumptions and experience	(103,591)	-25.6%
– Change in experience	(83,399)	-20.6%
– Change in ICD assumption	4,038	1.0%
– Change in BF assumption	8,051	2.0%
– Change in discounting	5,683	1.4%
– Change in Recovery Rate	(360)	-0.1%
– Change in CHE assumption	(37,604)	-9.3%

The table above summarises the effect of changing assumptions has on 2013 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. Without any change in assumptions, the additional 1 year of updated experience would have reduced the claims liability by $83.4 million. Changes in the assumptions used in Incurred Chain Ladder (ICD) method, Bornhuetter Ferguson (BF) method, discounting, recovery rate and claims handling expense (CHE) have changed the liabilities by $4.0 million, $8.0 million, $5.7 million, -$0.4 million and -$37.6 million respectively.

Margins for adverse deviation

In accordance with the insurance regulations, the insurance liabilities include a risk margin to ensure a minimum 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 are not discounted.

Gross liabilities

The gross claims liability as at 31 December 2014 is $480 million (2013: $527 million) as compared to net claims liability of $453 million (2013: $499 million).

The premium liability on gross basis is $158 million (2013: $167 million) as compared to net premium liability of $156 million (2013: $166 million).

Notes to the Financial Statements

For the financial year ended 31 December 2014

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance (continued)

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:

Claims development table 2014 $'000

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
End of accident year	211,430	166,473	175,745	246,049	244,656	212,240	212,084	219,707	220,631	217,330	
1 year later	198,300	175,776	196,521	240,920	226,472	186,768	196,745	216,590	215,523		
2 years later	197,168	172,310	194,974	235,024	222,855	177,787	190,208	204,478			
3 years later	195,546	174,119	193,230	233,214	215,323	171,039	174,294				
4 years later	193,766	172,861	194,115	228,141	212,516	163,020					
5 years later and beyond	178,291	171,413	192,743	225,063	204,957						
Estimate of gross cumulative claims	178,291	171,413	192,743	225,063	204,957	163,020	174,294	204,478	215,523	217,330	1,947,112
Cumulative claim payments	177,735	170,540	190,101	219,982	195,689	148,755	133,848	130,733	109,446	63,562	1,540,391
Estimate of gross claim liabilities	556	873	2,642	5,081	9,268	14,265	40,446	73,745	106,077	153,768	406,721
Claims handling expenses	32	50	151	290	529	814	2,307	4,207	6,052	8,772	23,204
Estimate of gross claim liability before recoveries	588	923	2,793	5,371	9,797	15,079	42,753	77,952	112,129	162,540	429,925
Estimate of gross claim liabilities for prior accident years											422
Recoveries and other adjustments											(3,536)
Provisions for adverse deviation											53,246
Gross claim liabilities											480,057

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

Claims development table 2014 $'000

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
End of accident year	207,921	161,514	170,211	232,650	226,742	197,095	195,975	205,790	207,360	204,499	
1 year later	192,392	170,240	185,819	223,280	210,311	172,582	184,283	203,562	202,798		
2 years later	190,960	162,926	180,698	218,253	205,928	166,526	178,766	192,406			
3 years later	184,896	161,370	179,441	215,500	201,684	160,751	164,004				
4 years later	179,578	160,525	179,372	213,690	199,733	153,395					
5 years later and beyond	167,765	161,293	181,363	211,775	192,857						
Estimate of net cumulative claims	167,765	161,293	181,363	211,775	192,857	153,395	164,004	192,406	202,798	204,499	1,832,155
Cumulative net claim payments	167,242	160,471	178,877	206,994	184,135	139,972	125,945	123,015	102,984	59,810	1,449,445
Estimate of net claim liabilities	523	822	2,486	4,781	8,722	13,423	38,059	69,391	99,814	144,689	382,710
Claims handling expenses	32	50	151	290	529	814	2,307	4,207	6,052	8,772	23,204
Estimate of net claim liability before recoveries	555	872	2,637	5,071	9,251	14,237	40,366	73,598	105,866	153,461	405,914
Estimate of net claim liabilities for prior accident years											397
Recoveries and other adjustments											(3,576)
Provisions for adverse deviation											49,822
Net claim liabilities											452,557

Notes to the Financial Statements

For the financial year ended 31 December 2014

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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. The valuation techniques and unobservable inputs used by management in the valuation process are detailed in Note 4(f).

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 $127,009,000 (2013: $126,077,000) 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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

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 group insurance risk in excess of its retention limit to its appointed reinsurers on a per life basis.

To manage the concentration of mortality risks as a result of a single event, the Group obtains catastrophic reinsurance that limits its maximum overall exposure up to a limit.

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.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(a) Life Insurance Contracts Risk Management (continued)

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.

		2014		2013	
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	**1,226,569**	**10.1%**	1,183,059	10.4%
	-100 bps	**(1,665,228)**	**-13.7%**	(1,627,794)	-14.4%
Mortality / morbidity / longevity					
– life insurance contracts, excluding annuities	+20%	**(391,474)**	**-3.2%**	(373,468)	-3.3%
	-20%	**393,489**	**3.2%**	385,482	3.4%
– annuities contracts	Mortality Improvement of 1 Year	**(34,715)**	**-0.3%**	(32,765)	-0.3%
	Mortality Deterioration of 1 Year	**35,163**	**0.3%**	32,981	0.3%
Lapses	+20%	**(365,351)**	**-3.0%**	(361,737)	-3.2%
	-20%	**400,828**	**3.3%**	397,438	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 10.1% (2013: 10.4%). This would mean that future bonus and transfers may be increased by 10.1% (2013: 10.4%).

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

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.

		2014		2013	
Assumption	Change	Impact On Liabilities $'000	Impact On Liabilities %	Impact On Liabilities $'000	Impact On Liabilities %
Interest rates	+100 bps	**(305,432)**	**-18.9%**	(282,705)	-19.1%
	-100 bps	**486,334**	**30.2%**	464,014	31.3%
Mortality / morbidity	ElderShield: +11.1% Morbidity DPS: +5% Mortality G&H: +20% Morbidity	**128,268**	**8.0%**	122,474	8.3%
	ElderShield: -11.1% Morbidity DPS: -5% Mortality G&H: -20% Morbidity	**(106,784)**	**-6.6%**	(86,122)	-5.8%
Lapses	Eldershield: +50bps DPS: +50bps	**(14,197)**	**-0.9%**	(12,601)	-0.9%
	Eldershield: -50bps DPS: -50bps	**15,281**	**0.9%**	13,659	0.9%

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 $305 million (2013: $283 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 personal accident, 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 2014

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 2014

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:

		2014		2013	
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%	**48,730**	**11%**	46,885	9%
	-20%	**(48,730)**	**-11%**	(46,885)	-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 2014

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	
	2014 $'000	**2013 $'000**
MSCI Singapore		
+11% (2013: +14%)	**206,657**	403,732
-11% (2013: -14%)	**(206,657)**	(403,732)
MSCI Asia ex Japan		
+11% (2013: +15%)	**164,079**	322,859
-11% (2013: -15%)	**(164,079)**	(322,859)
MSCI Global Equities		
+9% (2013: +10%)	**92,355**	117,857
-9% (2013: -10%)	**(92,355)**	(117,857)

Notes to the Financial Statements

For the financial year ended 31 December 2014

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 the Investment Committee.

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. The entire 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.

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	
	2014 $'000	**2013 $'000**
Parallel shift in yield curves		
+100 bps	**(1,124,036)**	(968,690)
-100 bps	**1,263,562**	1,073,170

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk

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:

31 December 2014 **Assets**	USD $'000	EUR $'000	HKD $'000	KRW $'000	Others $'000
Investments					
– Equities	335,692	92,720	554,638	260,307	688,576
– Debt securities	3,515,333	241,486	–	1,492	100,929
– Funds	1,490,831	187,969	8,314	–	201,937
– Investment debtors	24,395	1,475	–	17	208
Cash and cash equivalents	103,566	3	457	–	601
Liabilities					
– Investment Creditors	(61,987)	(333)	–	–	–
Total	5,407,830	523,320	563,409	261,816	992,251
Less:					
Derivative contracts (net currency exposure)	(5,296,731)	(514,998)	(566,167)	(272,587)	(971,408)
Net foreign currency risk exposure	111,099	8,322	(2,758)	(10,771)	20,843

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

31 December 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)

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% (2013: ±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 2014 $'000	 31 December 2013 $'000
EUR	**2%** (2013: 2%)	**166**	287
USD	**2%** (2013: 2%)	**2,222**	2,773
HKD	**2%** (2013: 2%)	**(55)**	(339)
KRW	**2%** (2013: 2%)	**(215)**	(66)

Notes to the Financial Statements

For the financial year ended 31 December 2014

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 cash and 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 Investment Compliance.

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 loans in the portfolio are generally unsecured. Evaluation and monitoring of credit risk arising from such loans is undertaken by the Investment Department. The carrying amount of past due or impaired corporate loans on 31 December 2014 is nil (2013: nil).

The consumer loan portfolio as at 31 December 2014 amounts to $33 million (2013: $39 million). This is made up of secured and unsecured loans of which about 98% (2013: 97%) 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 2014

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 2014

		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	**21,395,886**	**–**	**–**	**–**	**21,395,886**	**–**
Loans	**692,629**	**381**	**948**	**54**	**694,012**	**431**
Derivatives with positive fair values	**58,413**	**–**	**–**	**–**	**58,413**	**–**
Reinsurers' share of insurance contract provisions	**29,104**	**–**	**–**	**–**	**29,104**	**–**
Insurance and other receivables	**131,533**	**62,481**	**3,197**	**615**	**197,826**	**753**
Cash and cash equivalents	**1,107,030**	**–**	**–**	**–**	**1,107,030**	**–**

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	–

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

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 rating buckets:

As at 31 December 2014	Investment Grade (AAA to BBB-) $'000	Below Investment Grade (Below BBB–) $'000	Non-rated $'000	Total $'000
Debt securities	**14,742,010**	**103,984**	**6,549,892**	**21,395,886**
Loans	**–**	**–**	**694,012**	**694,012**
Cash and cash equivalents	**1,107,030**	**–**	**–**	**1,107,030**
Derivatives with positive fair values	**–**	**–**	**58,413**	**58,413**

As at 31 December 2013	Investment Grade (AAA to BBB-) $'000	Below Investment 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

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

Cash and cash equivalents and derivative transactions are carried out with banks and financial institutions: (i) which are regulated by the Monetary Authority of Singapore and other regulators overseas; and (ii) whose credit are rated investment grade by the 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 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(iii) Liquidity risk

The Group is exposed to liquidity risk when it 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 part of 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 polices 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 2014 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 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(iii) Liquidity risk (continued)

As at 31 December 2014	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Long Term business					
– Insurance contracts	**(27,821,082)**	**(3,078,458)**	**(4,678,676)**	**(6,998,249)**	**(13,065,699)**
– Investment contracts	**(27,160)**	**(5,742)**	**(18,346)**	**(3,072)**	**–**
Total	**(27,848,242)**	**(3,084,200)**	**(4,697,022)**	**(7,001,321)**	**(13,065,699)**

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)

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

As at 31 December 2014	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Derivative financial instruments	**(287,629)**	**(209,281)**	**(43,456)**	**(34,892)**	**–**
Insurance and other payables	**(992,214)**	**(955,278)**	**(33,371)**	**(3,306)**	**(259)**
Borrowings (include interest)	**(1,196,405)**	**(26,300)**	**(512,205)**	**(657,900)**	**–**

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)
Borrowings (include interest)	(1,210,049)	(442,649)	(87,600)	(679,800)	–

Notes to the Financial Statements

For the financial year ended 31 December 2014

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 14 to the financial statements, except for the following:

As at 31 December 2014	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	**1,522,844**	**153,642**	**81,996**	**167,232**	**73,154**	**1,998,868**
Financial Liabilities	**1,197,577**	**70,603**	**35,684**	**68,698**	**635,299**	**2,007,861**

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

(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%. MAS may prescribe different fund solvency requirements or capital adequacy requirements for different classes of insurance business and for different types of insurers. The Co-operative has a capital adequacy ratio in excess of the minimum requirement.

Regulated capital of the Co-operative as at 31 December 2014 comprised Available Capital of $8.40 billion, Risk Capital of $2.94 billion and Capital Adequacy Ratio of 285%. The amounts as at 31 December 2013 were: Available Capital $7.76 billion, Risk Capital $3.10 billion and Capital Adequacy Ratio of 250%.

(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 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

As at 31 December 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments designated at fair value through profit or loss				
– Equities	**4,203,689**	**–**	**–**	**4,203,689**
– Funds	**1,271,431**	**–**	**–**	**1,271,431**
– Debt securities	**20,879,528**	**42,056**	**37,841**	**20,959,425**
Available–for–sale investments				
– Equities	**105,715**	**–**	**41,359**	**147,074**
– Funds	**51,176**	**–**	**1,178,759**	**1,229,935**
– Debt securities	**436,461**	**–**	**–**	**436,461**
	26,948,000	**42,056**	**1,257,959**	**28,248,015**
Derivative financial instruments	**–**	**58,413**	**–**	**58,413**
	26,948,000	**100,469**	**1,257,959**	**28,306,428**
Liabilities				
Derivative financial instruments	**–**	**(287,501)**	**–**	**(287,501)**

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)

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 2014

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		
2014	**Debt securities $'000**	**Unquoted funds $'000**	**Unquoted equities $'000**	**Total $'000**
Opening balance	**57,420**	**859,344**	**30,047**	**946,811**
Sales of Level 3 securities	**(33,250)**	**(219,716)**	**(558)**	**(253,524)**
Purchases of Level 3 securities	**–**	**369,379**	**–**	**369,379**
Revaluation reserve	**–**	**94,962**	**11,382**	**106,344**
Gains and losses recognised in profit or loss	**13,671**	**74,790**	**488**	**88,949**
Closing balance	**37,841**	**1,178,759**	**41,359**	**1,257,959**
Total gains for the period included in profit or loss for assets held at the end of the reporting period	**13,671**	**74,790**	**488**	**88,949**

During the financial year ended 31 December 2014, 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		
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.

Notes to the Financial Statements

For the financial year ended 31 December 2014

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:

2014	Fair Value $'000	Classification	Valuation technique	Unobservable Input
Assets				
Debt securities	**37,841**	**FVPL[(a)]**	**Discounted cash flows**	**Default / recovery / prepay / liquidity assumptions**
Unquoted funds	**1,178,759**	**AFS[(b)]**	**Net Asset Value**	**Net asset value of investment vehicles**
Unquoted equities	**41,359**	**AFS[(b)]**	**Net Asset Value**	**Net asset value of investment entities**
Total	**1,257,959**			

(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 2014, adjusted for the net cash flows movement from 1 October 2014 till 31 December 2014. If a premium of 3% had been applied, the impact on the valuation would have been $35.36 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 5% has been applied, the impact on the valuation would have been $2.09 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 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Investment properties

Life Insurance Par Fund

Completed investment properties	2014 $'000	2013 $'000
At 1 January	**1,278,701**	807,071
Reclassified from / (to) investment property under development	**325,000**	(238,000)
Acquisition of subsidiary	**–**	667,465
Additions	**–**	15,364
Disposals	**(215)**	(1,491)
Change in net fair value recognised in profit or loss	**28,612**	28,292
At 31 December	**1,632,098**	1,278,701

Investment property under development	2014 $'000	2013 $'000
At 1 January	**260,000**	–
Reclassified (to) / from completed investment properties	**(325,000)**	238,000
Additions	**43,588**	8,811
Disposals	**–**	–
Change in net fair value recognised in profit or loss	**21,412**	13,189
At 31 December	**–**	260,000

Total	2014 $'000	2013 $'000
At 1 January	**1,538,701**	807,071
Acquisition of subsidiary	**–**	667,465
Additions	**43,588**	24,175
Disposals	**(215)**	(1,491)
Change in net fair value recognised in profit or loss	**50,024**	41,481
At 31 December	**1,632,098**	1,538,701

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 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Investment properties (continued)

Fair value hierarchy

	Fair value measurements at 31 December 2014 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	–	–	1,632,098
Total investment properties	–	–	1,632,098

During the financial year ended 31 December 2014, 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 2014 ($'000)	Valuation techniques	Unobservable inputs[1]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Investment properties	1,632,098	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.

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

Notes to the Financial Statements

For the financial year ended 31 December 2014

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Investment properties (continued)

Valuation processes of the Group

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 2014

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 18) and are classified as Level 3. The fair value and interest rates used are as follows:

2014	Life Insurance Par Fund		General Insurance Fund		Interest rate used
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000	
Term Loans	**22**	**19**	**–**	**–**	**3.65%**
Consumer loans	**33,014**	**26,388**	**1**	**1**	**3.65%**
Total	**33,036**	**26,407**	**1**	**1**	

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	

Insurance and other payables

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 18) and are classified as Level 3. The fair values and interest rates used are as follows:

2014	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	**10,273**	**8,917**	**15,087**	**14,111**	**–**	**–**	**3.65%**
Investments and other payables	**12,057**	**10,917**	**–**	**–**	**–**	**–**	**3.65%**
Total	**22,330**	**19,834**	**15,087**	**14,111**	**–**	**–**	

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

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5. PROPERTY, PLANT AND EQUIPMENT

Life Insurance Par Fund

	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
2014					
Cost					
At 1 January 2014	**2,702**	**19,052**	**12,773**	**936**	**35,463**
Additions	**18**	**491**	**3,059**	**–**	**3,568**
Disposals	**(1,183)**	**–**	**(632)**	**–**	**(1,815)**
At 31 December 2014	**1,537**	**19,543**	**15,200**	**936**	**37,216**
Accumulated depreciation					
At 1 January 2014	**2,351**	**13,801**	**9,457**	**479**	**26,088**
Charge for the year	**103**	**1,713**	**1,204**	**175**	**3,195**
Disposals	**(1,180)**	**–**	**(632)**	**–**	**(1,812)**
At 31 December 2014	**1,274**	**15,514**	**10,029**	**654**	**27,471**
Net book value At 31 December 2014	**263**	**4,029**	**5,171**	**282**	**9,745**

	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

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 2014

6. INTANGIBLE ASSETS

	2014 $'000	2013 $'000
Life Insurance Par Fund		
Cost		
At 1 January	**77,088**	60,326
Additions	**8,839**	16,762
Disposals	**(60)**	–
At 31 December	**85,867**	77,088
Accumulated amortisation		
At 1 January	**44,167**	33,503
Charge for the year	**11,067**	10,664
Disposals	**(3)**	–
At 31 December	**55,231**	44,167
Net book value at 31 December	**30,636**	32,921

	2014 $'000	2013 $'000
Life Insurance Non-Par Fund		
Cost		
At 1 January	**14,097**	13,438
Additions	**97**	659
At 31 December	**14,194**	14,097
Accumulated amortisation		
At 1 January	**4,185**	1,650
Charge for the year	**2,839**	2,535
At 31 December	**7,024**	4,185
Net book value at 31 December	**7,170**	9,912

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 2014

7. INVESTMENT PROPERTIES

	2014 $'000	2013 $'000
Life Insurance Par Fund		
At 1 January	**1,538,701**	807,071
Acquisition through subsidiary	**–**	667,465
Additions	**43,373**	24,175
Disposals	**–**	(1,491)
Change in net fair value recognised in profit or loss	**50,024**	41,481
At 31 December	**1,632,098**	1,538,701

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 bank borrowing (Note 18). These properties are held for the purpose of capital appreciation and rental income. The following amounts are recognised in profit or loss.

	2014 $'000	2013 $'000
Rental income	**59,724**	56,723
Direct operating expenses arising from investment properties that generated rental income	**(21,206)**	(18,832)

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 2014 are as follows:

Name	Principal activities	Interest held by Co-operative	
		2014 %	2013 %
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**	100
Shareholders' Fund			
NTUC Income Enterprises Pte Ltd (NIE)	Operator of retail and referral services	**100**	100

Notes to the Financial Statements

For the financial year ended 31 December 2014

9. INVESTMENT IN JOINT VENTURE COMPANY

	Group	
	2014 $'000	2013 $'000
Life Insurance Par Fund		
Equity investment at cost	**82,525**	82,525

Set out below is the joint venture of the Group as at 31 December 2014, which, in the opinion of the directors, is material to the Group. The joint venture has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also its principal place of business.

Name of company	Country of incorporation	Principal activities	% of ownership interest	
			2014 %	2013 %
Street Square Pte Ltd[a]	Singapore	Property Investment holding	**50**	50

(a) Financial year ends on 31 December

The Group has no commitments relating to its joint venture. There are also no contingent liabilities relating to the Group's interest in the joint venture.

Summarised financial information for joint venture company

Set out below is the summarised financial information of Street Square Pte Ltd based on the management accounts as of 30 September which is used for equity accounting, as this is the latest financial information available.

Summarised balance sheet

	Street Square Pte Ltd As at 30 September	
	2014 $'000	2013 $'000
Current assets	**32,262**	18,382
Cash and cash equivalents	**25,528**	17,470
Current liabilities	**(168,694)**	(754,610)
Financial liabilities (excluding trade payables)	**(167,631)**	(754,194)
Other current liabilities (including trade payables)	**(1,063)**	(416)
Non-current assets	**937,000**	931,001
Non-current liabilities	**(611,490)**	(7,107)
Financial liabilities	**(603,554)**	–
Other liabilities	**(7,936)**	(7,107)
Net assets	**189,078**	187,666

Notes to the Financial Statements

For the financial year ended 31 December 2014

9. INVESTMENT IN JOINT VENTURE COMPANY (CONTINUED)

Summarised statement of comprehensive income

	Street Square Pte Ltd For the period from 1 October to 30 September	
	2014 $'000	**2013 $'000**
Revenue	**45,168**	40,520
Interest income	**26**	33
Expenses		
Includes:		
– Interest expense	**(27,479)**	(28,858)
Profit / (Loss) from continuing operations	**7,631**	(9,371)
Income tax (expense) / credit	**(1,219)**	179
Post-tax profit / (loss) from continuing operations	**6,412**	(9,192)
Total comprehensive income / (loss)	**6,412**	(9,192)
Dividends paid / declared	**(5,000)**	–

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in the joint venture company, is as follows:

	Street Square Pte Ltd As at 30 September	
	2014 $'000	**2013 $'000**
Net assets		
At 1 October 2013 / 2012	**187,666**	196,858
Profit / (Loss) for the year	**6,412**	(9,192)
Dividends paid / declared	**(5,000)**	–
At 30 September 2014 / 2013	**189,078**	187,666
Interest in joint venture (50%)	**94,539**	93,833
Carrying value	94,539	93,833

Notes to the Financial Statements

For the financial year ended 31 December 2014

10. INVESTMENT IN ASSOCIATED COMPANIES

	2014 $'000	2013 $'000
Life Insurance Par Fund		
Equity investment at cost	**236,367**	217,514

Set out below are the associated companies of the Group as at 31 December 2014. The associated companies as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also its principal place of business.

Name of company	Country of incorporation	Principal activities	% of ownership interest 2014 %	% of ownership interest 2013 %
*Falcon-Air Holdings Pte Ltd [(a)]	Singapore	Investment holding	**–**	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 [(a)]	Singapore	Properties investment holding	**48**	46

(a) Financial year ends on 31 December
* Disposed during the financial year

The Group has no commitments relating to its associated companies. There are also no contingent liabilities relating to the Group's interest in the associated companies.

Notes to the Financial Statements

For the financial year ended 31 December 2014

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial information for associated companies

Set out below is the summarised financial information of the material associated company of the Group. This is based on the management accounts used for equity accounting, which is the latest financial information available.

Summarised balance sheet

	Parkway Parade Partnership As at 30 November	
	2014 $'000	2013 $'000
Current assets	**25,700**	25,600
Cash and cash Equivalents	**20,800**	20,300
Current liabilities	**(42,700)**	(44,200)
Financial liabilities (excluding trade payables)	**(32,600)**	(33,300)
Other current liabilities (including trade payables)	**(10,100)**	(10,900)
Non-current assets	**1,176,300**	1,144,200
Non-current liabilities	**(456,500)**	(455,100)
Financial liabilities	**(456,500)**	(455,100)
Net assets	**702,800**	670,500

Summarised statement of comprehensive income

	Parkway Parade Partnership For the period from 1 October to 30 November	
	2014 $'000	2013 $'000
Revenue	**104,700**	49,800
Expenses		
Includes:		
– Interest expense	**(7,098)**	(5,800)
Profit from continuing operations	**91,644**	66,300
Income tax credit / (expense)	**(9,009)**	(6,100)
Post-tax profit from continuing operations	**82,635**	60,200
Total comprehensive income / (loss)	**82,635**	60,200
Dividends paid / declared	**(50,335)**	(41,114)

Notes to the Financial Statements

For the financial year ended 31 December 2014

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in the associated companies, is as follows:

	Parkway Parade Partnership As at 30 November	
	2014 $'000	**2013 $'000**
Net assets		
At 1 October 2013 / 2012	**670,500**	651,414
Profit for the year	**82,635**	60,200
Dividends paid / declared	**(50,335)**	(41,114)
At 1 November 2014 / September 2013	**702,800**	670,500
Interest in associated company (2014: 48%, 2013: 45%)	**320,207**	306,553
Additional 3% interest during the year	**21,003**	–
Carrying value	**341,210**	306,553
Add:		
Carrying value of individually immaterial associated companies	**2,003**	5,459
Carrying value of the Group's interest in associated companies	**343,213**	312,012

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10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

	Group	
	2014 $'000	2013 $'000
Shareholders' Fund		
Equity investment at cost	**110,210**	110,210

Set out below is the associated company of the Group as at 31 December 2014, which, in the opinion of the directors, is material to the Group. The associated company has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also its principal place of business.

Name of company	Country of incorporation	Principal activities	% of ownership interest 2014 %	% of ownership interest 2013 %
NTUC Choice Homes Co-operative Ltd[a]	Singapore	Property development	**25**	25

(a) Financial year ends on 31 December

The Group has no commitments relating to its associated company. There are also no contingent liabilities relating to the Group's interest in the associated company.

Summarised financial information for associated company

Set out below is the summarised financial information of the associated company based on the management accounts as of 30 September which is used for equity accounting, as this is the latest financial information available.

Summarised balance sheet

	NTUC Choice Homes Co-operative Ltd As at 30 September	
	2014 $'000	2013 $'000
Current assets	**207,775**	535,696
Cash and cash equivalents	**105,460**	281,098
Current liabilities	**(82,030)**	(338,369)
Financial liabilities (excluding trade payables)	**(271)**	(176,541)
Other current liabilities (including trade payables)	**(81,759)**	(161,828)
Non-current assets	**399,546**	298,701
Non-current liabilities	**(11,493)**	–
Other liabilities	**(11,493)**	–
Adjustments made to align with Group accounting policies	**(14,885)**	–
Net assets	**498,913**	496,028

Notes to the Financial Statements

For the financial year ended 31 December 2014

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Summarised statement of comprehensive income

	NTUC Choice Homes Co-operative Ltd For the period from 1 October to 30 September	
	2014 $'000	2013 $'000
Revenue	**237,811**	487,987
Profit from continuing operations	**44,236**	87,537
Income tax credit / (expense)	**1,462**	(7,881)
Adjustments made to align with Group accounting policies	**(14,885)**	–
Post-tax profit from continuing operations	**30,813**	79,656
Other comprehensive income	**–**	234
Total comprehensive income	**30,813**	79,890
Dividends paid / declared	**(27,928)**	(17,122)

Reconciliation of summarised financial information

Reconciliation of summarised financial information presented to the carrying amount of the Group's interest in the associated company, is as follows:

	NTUC Choice Homes Co-operative Ltd As at 30 September	
	2014 $'000	2013 $'000
Net assets		
At 1 October 2013 / 2012	**496,028**	433,260
Profit for the year	**30,813**	79,656
Other comprehensive income	**–**	234
Dividends paid / declared	**(27,928)**	(17,122)
At 30 September 2014 / 2013	**498,913**	496,028
Interest in associated company (25%)	**127,009**	126,077
Carrying value	**127,009**	126,077

Notes to the Financial Statements

For the financial year ended 31 December 2014

11. OTHER FINANCIAL ASSETS

	2014					
	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	3,359,879	–	630,348	174,390	39,072	4,203,689
Funds	755,394	–	398,029	118,008	–	1,271,431
Debt securities	16,917,290	2,611,525	418,078	936,780	75,752	20,959,425
Total investments designated at fair value through profit or loss	21,032,563	2,611,525	1,446,455	1,229,178	114,824	26,434,545
Available-for-sale investments						
Quoted						
Equities	–	–	–	–	105,715	105,715
Funds	–	–	–	–	51,176	51,176
Debt securities	–	–	–	–	436,461	436,461
Unquoted						
Equities	36,230	–	–	–	5,129	41,359
Funds	1,139,188	–	–	–	39,571	1,178,759
Total available-for-sale investments	1,175,418	–	–	–	638,052	1,813,470
Total investments	22,207,981	2,611,525	1,446,455	1,229,178	752,876	28,248,015
Debt Securities						
To be settled within 12 months	3,432,979	37,995	49,171	449,950	159,556	4,129,651
To be settled after 12 months	13,484,311	2,573,530	368,907	486,830	352,657	17,266,235
	16,917,290	2,611,525	418,078	936,780	512,213	21,395,886
Equities and Funds						
No maturity date	5,290,691	–	1,028,377	292,398	240,663	6,852,129
Total	22,207,981	2,611,525	1,446,455	1,229,178	752,876	28,248,015

Notes to the Financial Statements

For the financial year ended 31 December 2014

11. OTHER FINANCIAL ASSETS (CONTINUED)

	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

Of the total debt securities, 91% (2013: 91%) represents investments in fixed rate instruments.

The debt securities as at 31 December 2013 include a bond issued by a joint venture company which was purchased at arms-length. The bond is a 3 years term bond issued by the joint venture with an interest rate of 3.02% per annum and matured on 5 May 2014. The interest earned of $1.0 million (2013: $2.8 million) is recognised in the statement of comprehensive income.

Notes to the Financial Statements

For the financial year ended 31 December 2014

12. INVESTMENT IN FUNDS

The funds invested in by the Group may utilise a variety of financial instruments in their trading strategies, including equity and debt securities as well as an array of derivative instruments. Several of these financial instruments contain the risk whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on each portfolio fund's statement of financial position. However, as the Group has limited interests in these funds, the Group's risk with respect to such transactions is limited to its capital balance in, and where applicable, capital commitments to, each fund.

The Group's holding in a unitised fund, as a percentage of the fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the fund level. It is possible but unlikely that the Group may, at any point in time, hold a majority of a fund's total units in issue.

The Group's maximum exposure to loss from its interests in funds is equal to the total fair value of its investments in and capital commitments contracted to the funds. Once the Group has disposed of its shares / units in a portfolio fund or withdrawn from its partnership contracts, the Group ceases to be exposed to any risk from that fund.

The Group's outstanding investment capital commitments are disclosed in Note 30.

The tables below summarises the fair value of the Group's holdings in fund by risk of concentration with respect to geographic region and industry focus of the funds.

Notes to the Financial Statements

For the financial year ended 31 December 2014

12. INVESTMENT IN FUNDS (CONTINUED)

At 31 December 2014	% of the Investment in Funds	Market Value $'000
Industry focus		
Diversified Financials	**76%**	**1,903,761**
Energy	**1%**	**31,075**
Real Estate	**23%**	**564,996**
Telecommunication Services	**0%**	**357**
Industrials	**0%**	**1,177**
	100%	**2,501,366**
Geographic region		
Asia Pacific	**32%**	**805,601**
Australia	**2%**	**54,220**
Europe	**6%**	**160,225**
North America	**43%**	**1,068,190**
Others	**17%**	**413,130**
	100%	**2,501,366**

At 31 December 2013	% of the Investment in Funds	Market Value $'000
Industry focus		
Diversified Financials	81%	1,565,014
Energy	1%	18,073
Real Estate	18%	359,349
Industrials	0%	817
	100%	1,943,253
Geographic region		
Asia Pacific	31%	595,156
Europe	3%	65,092
North America	47%	913,262
Others	19%	369,743
	100%	1,943,253

Notes to the Financial Statements

For the financial year ended 31 December 2014

13. LOANS

	2014					
	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
Term loans to corporations						
– unsecured	**81,284**	**–**	**–**	**–**	**–**	**81,284**
Consumer loans	**33,324**	**–**	**–**	**121**	**–**	**33,445**
Loans on policies	**579,714**	**–**	**–**	**–**	**–**	**579,714**
Impairment loss	**(311)**	**–**	**–**	**(120)**	**–**	**(431)**
	694,011	**–**	**–**	**1**	**–**	**694,012**
To be settled within 12 months	**666,829**	**–**	**–**	**1**	**–**	**666,830**
To be settled after 12 months	**27,182**	**–**	**–**	**–**	**–**	**27,182**
	694,011	**–**	**–**	**1**	**–**	**694,012**

	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
Term loans to corporations						
– unsecured	81,294	–	–	–	–	81,294
Consumer loans	39,210	–	–	235	–	39,445
Loans on policies	574,151	–	–	–	–	574,151
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

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

Notes to the Financial Statements

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13. LOANS (CONTINUED)

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

Interest bearing loan to a 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:

	2014				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	**81,251**	**7.00**	**5,708**	**On demand**	**Unsecured**

	2013				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	81,251	7.00	5,708	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
2014						
At 1 January	**401**	**–**	**–**	**139**	**–**	**540**
Allowance written back during the year	**(90)**	**–**	**–**	**(19)**	**–**	**(109)**
At 31 December	**311**	**–**	**–**	**120**	**–**	**431**
2013						
At 1 January	600	–	–	459	–	1,059
Allowance written back during the year	(199)	–	–	(176)	–	(375)
Write off	–	–	–	(144)	–	(144)
At 31 December	401	–	–	139	–	540

Notes to the Financial Statements

For the financial year ended 31 December 2014

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2014			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	7,024,631	28,241	161,197	(132,956)
Interest rate swaps	778,318	19,253	11,285	7,968
Futures	151,647	1,134	73	1,061
Cross currency swaps	962,354	3,909	72,138	(68,229)
	8,916,950	52,537	244,693	(192,156)
Life Insurance Non-Par Fund				
Forward foreign exchange	301,325	59	15,146	(15,087)
Investment Linked Fund				
Forward foreign exchange	301,721	1,361	4,251	(2,890)
Interest rate swaps	118,017	3,251	1,728	1,523
Futures	373	9	–	9
	420,111	4,621	5,979	(1,358)
General Insurance Fund				
Forward foreign exchange	514,607	1,108	16,589	(15,481)
Shareholders' Fund				
Forward foreign exchange	252,959	88	5,094	(5,006)
Total	10,405,952	58,413	287,501	(229,088)

Notes to the Financial Statements

For the financial year ended 31 December 2014

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	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)

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

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14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	2014					
				Related amounts not set–off in the balance sheet		
	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set–off in the balance sheet $'000	Net amounts of financial assets presented in the balance sheet $'000	Financial Instruments $'000	Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	51,666	–	51,666	81	1,228	50,357
Life Insurance Non-Par Fund						
Derivatives	–	–	–	–	–	–
Investment Linked Fund						
Derivatives	4,621	–	4,621	–	66	4,555
General Insurance Fund						
Derivatives	1,108	–	1,108	–	–	1,108
Shareholders' Fund						
Derivatives	88	–	88	–	–	88

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

	2014					
				Related amounts not set–off in the balance sheet		
	Gross amounts of recognised financial liabilities $'000	Gross amounts of recognised financial assets set-off in the balance sheet $'000	Net amounts of financial liabilities presented in the balance sheet $'000	Financial Instruments $'000	Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	244,693	–	244,693	71,087	1,219	172,387
Life Insurance Non-Par Fund						
Derivatives	–	–	–	–	–	–
Investment Linked Fund						
Derivatives	5,977	–	5,977	2,446	604	2,927
General Insurance Fund						
Derivatives	16,589	–	16,589	723	–	15,866
Shareholders' Fund						
Derivatives	5,094	–	5,094	–	348	4,746

Notes to the Financial Statements

For the financial year ended 31 December 2014

15. INSURANCE CONTRACT PROVISIONS

	2014				
	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	–	71,564	–	480,057	551,621
Provision for unexpired risks	–	144,522	–	157,534	302,056
Provision for future non-participating benefits	366,263	1,396,655	–	–	1,762,918
Provision for future participating benefits					
– Guaranteed benefits	11,863,607	–	–	–	11,863,607
– Non-guaranteed benefits	11,860,307	–	–	–	11,860,307
Provision for investment linked contracts	–	–	1,480,573	–	1,480,573
Total insurance contract provisions, gross	24,090,177	1,612,741	1,480,573	637,591	27,821,082
Reinsurance					
Provision for claims and loss adjustment expenses	–	–	–	27,500	27,500
Provision for unexpired risks	–	–	–	1,604	1,604
Total reinsurers' share of insurance contract provisions	–	–	–	29,104	29,104
Net					
Provision for claims and loss adjustment expenses	–	71,564	–	452,557	524,121
Provision for unexpired risks	–	144,522	–	155,930	300,452
Provision for future non-participating benefits	366,263	1,396,655	–	–	1,762,918
Provision for future benefits					
– Guaranteed benefits	11,863,607	–	–	–	11,863,607
– Non-guaranteed benefits	11,860,307	–	–	–	11,860,307
Provision for investment linked contracts	–	–	1,480,573	–	1,480,573
Total insurance contract provisions, net	24,090,177	1,612,741	1,480,573	608,487	27,791,978

Notes to the Financial Statements

For the financial year ended 31 December 2014

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

	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 2014

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions

Life Insurance Par Fund

Provision for future participating / non-participating benefits

	2014			2013		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**23,952,479**	**–**	**23,952,479**	24,258,057	–	24,258,057
Decrease in insurance contract provisions	**(312,655)**	**–**	**(312,655)**	(641,250)	–	(641,250)
Share in results of joint venture company and associated companies	**14,355**	**–**	**14,355**	2,060	–	2,060
Change in liabilities for insurance contracts arising from unrealised available-for-sale movements	**113,586**	**–**	**113,586**	15,800	–	15,800
Bonus to policyholders	**322,412**	**–**	**322,412**	317,812	–	317,812
At 31 December	**24,090,177**	**–**	**24,090,177**	23,952,479	–	23,952,479

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2014			2013		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**162,243**	**–**	**162,243**	126,948	–	126,948
Movements for the year	**(17,721)**	**–**	**(17,721)**	35,295	–	35,295
At 31 December	**144,522**	**–**	**144,522**	162,243	–	162,243

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

	2014			2013		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**1,319,088**	**–**	**1,319,088**	1,232,030	–	1,232,030
Increase in insurance contract provisions	**149,131**	**–**	**149,131**	87,058	–	87,058
At 31 December	**1,468,219**	**–**	**1,468,219**	1,319,088	–	1,319,088
At 31 December (a) + (b)	**1,612,741**	**–**	**1,612,741**	1,481,331	–	1,481,331

Notes to the Financial Statements

For the financial year ended 31 December 2014

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

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

	2014			2013		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**1,347,180**	**–**	**1,347,180**	1,281,869	–	1,281,869
Increase in insurance contract provisions	**133,393**	**–**	**133,393**	65,311	–	65,311
At 31 December	**1,480,573**	**–**	**1,480,573**	1,347,180	–	1,347,180

General Insurance Fund

(a) Provision for claims and loss adjustment expenses

	2014			2013		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**527,161**	**(27,904)**	**499,257**	514,308	(28,518)	485,790
(Decrease) / Increase in insurance contract provisions	**(47,104)**	**404**	**(46,700)**	12,853	614	13,467
At 31 December	**480,057**	**(27,500)**	**452,557**	527,161	(27,904)	499,257

(b) Provision for unexpired risks

	2014			2013		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**167,295**	**(1,486)**	**165,809**	172,918	(1,645)	171,273
Movements for the year	**(9,761)**	**(118)**	**(9,879)**	(5,623)	159	(5,464)
At 31 December	**157,534**	**(1,604)**	**155,930**	167,295	(1,486)	165,809
At 31 December (a) + (b)	**637,591**	**(29,104)**	**608,487**	694,456	(29,390)	665,066

Notes to the Financial Statements

For the financial year ended 31 December 2014

16. INSURANCE AND OTHER RECEIVABLES

	2014					
	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	**48,286**	**11,475**	**–**	**8,165**	**–**	**67,926**
Accrued interest receivable	**290**	**–**	**17**	**1**	**3**	**311**
Investment receivables	**30,679**	**–**	**19,457**	**380**	**650**	**51,166**
Trade receivables	**–**	**–**	**–**	**1,234**	**–**	**1,234**
Other receivables	**13,070**	**141**	**–**	**311**	**1,124**	**14,646**
Interfund balances	**15,274**	**5**	**1,496**	**7**	**46,514**	**63,296**
	107,599	**11,621**	**20,970**	**10,098**	**48,291**	**198,579**
Less: Allowance for impairment losses	**–**	**(144)**	**–**	**(609)**	**–**	**(753)**
	107,599	**11,477**	**20,970**	**9,489**	**48,291**	**197,826**

	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

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 2014

16. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

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

	2014					
	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	**19**	**1,204**	**–**	**654**	**–**	**1,877**
Impairment loss during the year	**–**	**–**	**–**	**–**	**–**	**–**
Allowance written back / utilised during the year	**(19)**	**(1,060)**	**–**	**(45)**	**–**	**(1,124)**
At 31 December	**–**	**144**	**–**	**609**	**–**	**753**

	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

Notes to the Financial Statements

For the financial year ended 31 December 2014

17. CASH AND CASH EQUIVALENTS

	2014					
	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	**370,000**	**60,000**	**27,168**	**60,628**	**5,000**	**522,796**
Cash and bank balances	**351,234**	**82,165**	**33,858**	**97,114**	**19,863**	**584,234**
	721,234	**142,165**	**61,026**	**157,742**	**24,863**	**1,107,030**

	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

18. BORROWINGS

Life Insurance Par Fund

Description	Issue Date	Maturity Date	2014 $'000	2013 $'000
Fixed rate bonds	17 January 2011	17 January 2014	**–**	419,849
Bank borrowing	17 January 2014	17 January 2017	**416,752**	–

On 17 January 2011, a subsidiary of the Co-operative issued $420,000,000 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 each year.

The Bonds matured on 17 January 2014 and repayment was made by utilising a refinancing facility amounting to $420,000,000 provided by Australia and New Zealand Banking Group Limited, The Hong Kong and Shanghai Banking Corporation Limited and Standard Chartered Bank on 15 January 2014. The redemption price was the original issue price of the Bonds at $420,000,000.

Notes to the Financial Statements

For the financial year ended 31 December 2014

18. BORROWINGS (CONTINUED)

Life Insurance Par Fund (continued)

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).

The bank borrowing of $420,000,000 (2013: nil) are secured by mortgages over the investment property (Note 7) and land use rights of a subsidiary of the Co-operative and is repayable on 17 January 2017 (2013: nil). The effective interest rate at balance sheet date is 1.05% per annum (2013: nil) and the interest rates are re-priced every three months to the SGD-SOR rates (2013: nil).

The bank borrowings are secured by the following:

(i) a legal mortgage over the investment property;
(ii) an assignment of all the rights, title and interest of the Company 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 Company in relation to the investment property;
(iv) a loan with legal charges over the assets of the Company (including restricted cash) and shares of the Company.

Shareholders' Fund

Description	Issue Date	Maturity Date	2014 $'000	2013 $'000
$600 million 3.65% subordinated notes	23 August 2012	23 August 2027	**598,895**	598,772

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 $615,360,000.

Notes to the Financial Statements

For the financial year ended 31 December 2014

19. INSURANCE AND OTHER PAYABLES

	2014					
	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	**24,223**	**41,236**	**–**	**1,228**	**–**	**66,687**
Insurance and reinsurance payables	**131,940**	**3,631**	**676**	**5,784**	**54**	**142,085**
Investments and other payables	**614,441**	**6,548**	**35,008**	**28,649**	**33,122**	**717,768**
Contribution to Singapore Labour Foundation	**–**	**–**	**–**	**–**	**2,353**	**2,353**
Contribution to Central Co-operative Fund	**–**	**–**	**–**	**–**	**25**	**25**
Interfund balances	**10,221**	**19,188**	**–**	**33,037**	**850**	**63,296**
	780,825	**70,603**	**35,684**	**68,698**	**36,404**	**992,214**
To be settled within 12 months	**758,976**	**55,516**	**35,684**	**68,698**	**36,404**	**955,278**
To be settled after 12 months	**21,849**	**15,087**	**–**	**–**	**–**	**36,936**
	780,825	**70,603**	**35,684**	**68,698**	**36,404**	**992,214**

	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

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 2014

20. SHARE CAPITAL

	2014	2013	2014	2013
	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	**43,942,996**	43,925,568	**439,430**	439,255
Issue of shares	**163,145**	170,970	**1,631**	1,710
Redemption of shares	**(152,048)**	(153,542)	**(1,520)**	(1,535)
At 31 December	**43,954,093**	43,942,996	**439,541**	439,430

	2014	2013	2014	2013
	Number of shares		$'000	$'000
Issue of shares				
Shares issued to employees for long service award	**17,010**	16,960	**170**	170
Shares issued for cash in respect of new subscriptions	**146,135**	154,010	**1,461**	1,540
	163,145	170,970	**1,631**	1,710

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 2014

20. 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(t) of significant accounting policies.

21. RESERVES FOR FUTURE DISTRIBUTION

The Group has designated an amount of $681,729,000 (2013: $601,217,000) 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.

22. FEE AND OTHER INCOME

	2014					
	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	**5,712**	**50**	**–**	**2,362**	**–**	**8,124**
Management and other fees	**11,461**	**–**	**–**	**–**	**13**	**11,474**
	17,173	**50**	**–**	**2,362**	**13**	**19,598**

	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

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

	2014					
	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	850	72	81	53	27	1,083
– loans	38,141	–	–	11	–	38,152
	38,991	72	81	64	27	39,235
Dividend income	184,115	–	22,125	7,607	7,713	221,560
Net rental income:						
– rental income	59,724	–	–	–	–	59,724
Less: Investment properties maintenance	(21,206)	–	–	–	–	(21,206)
	38,518	–	–	–	–	38,518
Realised gain on sale of AFS investments	73,906	–	–	–	7,090	80,996
Realised gain on sale of investment properties	–	–	–	–	–	–
Gain / (loss) on changes in fair value of:						
– investments designated as fair value through profit / loss	1,143,150	200,312	90,854	49,576	4,430	1,488,322
– derivatives	(292,353)	(15,428)	(1,410)	(21,989)	(10,619)	(341,799)
– investment properties	50,024	–	–	–	–	50,024
	900,821	184,884	89,444	27,587	(6,189)	1,196,547
Less:						
Investment expenses	(40,032)	(1,595)	(13,374)	(1,327)	(1,184)	(57,512)
Allowance for impairment written back / (made) on:						
– loans	90	–	–	19	–	109
– available-for-sale investments	(14)	–	–	–	–	(14)
	76	–	–	19	–	95
Loans written back / (written off)	104	–	–	(98)	–	6
Others	688	1,080	37	454	594	2,853
Net investment income and fair value gains	1,197,187	184,441	98,313	34,306	8,051	1,522,298

Notes to the Financial Statements

For the financial year ended 31 December 2014

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

	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 / 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 2014

24. MANAGEMENT EXPENSES

The following items are included in management expenses:

	The Group	
	2014 **$'000**	**2013** **$'000**
Staff costs		
– Salaries, commission, bonuses and staff benefits	**93,386**	93,316
– Employer's contribution to defined contribution plan	**10,039**	10,143
Advertising and promotion	**7,867**	6,186
Depreciation and amortisation	**16,160**	15,243
Printing, postage and stationery	**4,565**	5,083
Rental	**7,844**	7,818

25. IMMEDIATE AND ULTIMATE HOLDING ENTITY

The Co-operative's immediate and ultimate holding entity is NTUC Enterprise Co-operative Limited, registered in Singapore.

26. 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	
	2014 **$'000**	**2013** **$'000**
Insurance related transactions with		
– Parent	**18**	7
– Subsidiaries	**159**	136
– Associated companies	**13**	116
– Other related parties	**251**	1,740
	441	1,999

Notes to the Financial Statements

For the financial year ended 31 December 2014

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2014 $'000	2013 $'000
Investment related transactions with		
– Parent	–	225,199
– Subsidiaries	–	(17,499)
– Joint ventures	111,822	–
– Associated companies	–	24,283
– Other related parties	1,944	1,772
	113,766	233,755

	The Group	
	2014 $'000	2013 $'000
Purchases of goods / rental / management of investment properties with		
– Parent	203	10
– Subsidiaries	253	6
– Associated companies	1,108	860
– Other related parties	1,748	1,115
	3,312	1,991
Dividends to		
– Parent	(7,600)	(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	
	2014 $'000	2013 $'000
Salaries and other benefits	7,396	6,629
Employer's contribution to defined contribution plan	106	98
Directors' fees	567	458
	8,069	7,185

Notes to the Financial Statements

For the financial year ended 31 December 2014

27. DIVIDENDS

	2014 $'000	2013 $'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 60 cents (2013: 60 cents)	**25,506**	25,499

The Directors have proposed a dividend of 60 cents per share (2013: 60 cents) and a special dividend of 15 cents per share (2013: nil), amounting to $32,966,000 (2013: $26,366,000) to be paid in respect of the financial year ended 31 December 2014. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2015 after approval is obtained during the Annual General Meeting.

28. 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.

29. 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 $978,796,000 (2013: $830,362,000) [comprising accumulated surplus of $1,106,757,000 (2013: $960,235,000) in other insurance funds and the accumulated deficit of $127,961,000 (2013: accumulated deficit of $129,873,000) in the Shareholders' Fund] represents the amount available for distribution to the members of the Group except for accumulated surplus of $479,595,000 (2013: $516,027,000), which is not distributable and must be maintained to meet regulatory capital requirement prescribed in the Insurance (Valuation and Capital) Regulations 2004 under the Insurance Act as determined by the Appointed Actuary, and to meet other statutory requirements.

30. 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	
	2014 $'000	2013 $'000
Life Insurance Par Fund		
Outstanding investment commitments	**752,111**	855,526

Notes to the Financial Statements

For the financial year ended 31 December 2014

30. COMMITMENTS (CONTINUED)

(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	
	2014 $'000	2013 $'000
Not later than one year	**43,643**	41,022
Between one and five years	**89,631**	60,985

(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	
	2014 $'000	2013 $'000
Not later than one year	**4,950**	4,592
Between one and five years	**3,673**	8,602

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. On 6 May 2014, the Assistant Registrar of the High Court ordered that all proceedings in the Suit be stayed and that all claims in the Suit should be referred for consultation before arbitration in accordance with the dispute resolution clause found in the dispute resolution clause of the Financial Consultants' contracts. Costs was awarded in the Co-operative's favour.

On 2 January 2015, Justice Woo Bih Li of the High Court dismissed the Financial Consultants' appeal on the stay and awarded costs of the appeal in the Co-operative's favour. The Financial Consultants have now appealed to the Court of Appeal and the hearing of this appeal is scheduled for the week commencing 17 August 2015.

32. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 27 February 2015, in accordance with the By-Laws of the Co-operative, the Board approved a capital injection of $200 million from NTUC Enterprise Co-operative Limited. After this capital injection, the shareholdings of NTUC Enterprise Co-operative Limited will increase from approximately 29% to 51%.

Notes to the Financial Statements

For the financial year ended 31 December 2014

33. 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 2015 or later periods and which the Group has not early adopted. These amendments are not expected to have any significant impact on the financial statements of the Group.

FRS 40 Investment Property *(effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to clarify that FRS 40 and FRS 103 are not mutually exclusive. The guidance in FRS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in FRS 103 to determine whether the acquisition of an investment property is a business combination.

The Group will apply this amendment for acquisition of investment property taking place on / after 1 January 2015.

FRS 16 Property, Plant and Equipment *(effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount of the asset.

FRS 24 Related Party Disclosures *(effective for annual periods beginning on or after 1 July 2014)*

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity').

The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided. This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

FRS 113 Fair Value Measurement *(effective for annual periods beginning on or after 1 July 2014)*

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

34. AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors at a meeting held on 24 March 2015 and authorised for release on 24 March 2015.

Shareholding

As at 31 December 2014

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

INSTITUTIONAL MEMBERS	Number of Shares
NTUC Enterprise Co-operative Limited	12,735,248
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
Ceylon Tamils Multi-Purpose Co-operative Ltd	20,327
NTUC Health 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	15,701,684 (35.72%)

ORDINARY MEMBERS	28,242,409 (64.26%)
TOTAL	43,954,093 (100%)

Notice of Annual General Meeting

NOTICE IS HEREBY given that the Forty-Fifth Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Friday, 29 May 2015, at 6.00 pm at the Auditorium, Level 7, NTUC Centre, One Marina Boulevard, Singapore 018989.

AGENDA

1 To confirm the minutes of the 44th Annual General Meeting held on 3 June 2014.

2 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2014.

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 2014.

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

7 To approve an increase in the maximum borrowing limit of the Co-operative by $400 million under By-Law 17.

8 To appoint KPMG LLP, to replace PricewaterhouseCoopers LLP, as external auditors of the Co-operative for the financial year ending 31 December 2015.

9 To consider such other business not included in this notice of which at least ten 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
29 April 2015

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MCI (P) 080/04/2015

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