Consolidated Financial Statements
2015

CONTENTS

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2015

Income was the first social enterprise established by the Labour Movement to provide essential insurance for workers in Singapore.

Over the last 46 years, Income has served the protection, savings and investment needs of the people in Singapore. Today, we are Singapore's largest composite insurer offering the widest range of life, health and general insurance products. Income also boasts the industry's broadest distribution network to provide insurance access to two million customers across all social segments of Singapore.

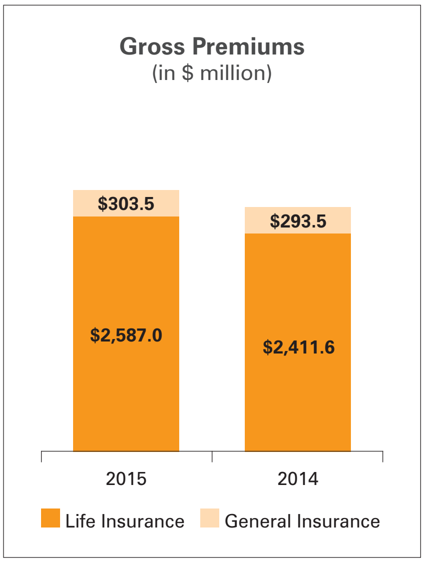
While Income has evolved into a professional and competitive financial institution, we remain true and committed to our foundational purpose of serving the people of Singapore through insurance that is affordable, accessible and sustainable. The social purpose of maximising value for our policyholders continues to be a guiding principle in our decision making.

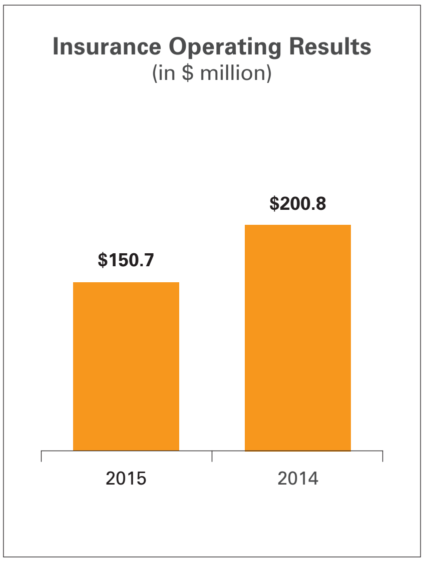
2015 PERFORMANCE HIGHLIGHTS

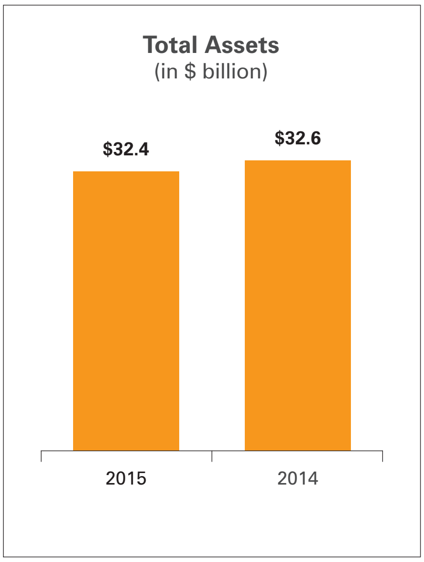
In 2015, the life insurance industry in Singapore took in almost $3.0 billion in weighted new business premiums, which is a 7.5% increase compared to the previous year.

Against this backdrop, Income achieved excellent results in 2015. Here are some of our performance highlights:

- We achieved gross premium of $2.9 billion, which is 6.9% higher than 2014.
- We achieved strong insurance operating results of $150.7 million.
- At the end of 2015, our assets reached $32.4 billion.







LIFE INSURANCE

In 2015, Income collected $2.6 billion in gross life insurance premiums[1], which is 7.3% higher than the previous year. This comprised $2.3 billion in annual premiums and $339.3 million in single premiums.

The total investment return on our Life Insurance Participating Fund was 1.79%. The Board accepted the Appointed Actuary's recommendation to pay a total bonus of $452.6 million. This payout is in line with the assurance given to policyholders that bonuses declared will be fair and consistent with the performance of the Life Insurance Participating Fund.

The Group and Health businesses took in gross premiums of $719.5 million in 2015, which is an increase of 13.9% from 2014.

[1] Includes Life and Health insurance

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2015

GENERAL INSURANCE

In 2015, Income achieved $303.5 million in premiums for its General Insurance business, which is 3.4% higher than the previous year.

The General Insurance business was boosted by the strong showing of the Motor Insurance business, which rose 7.1% to reach $234.3 million in 2015 compared to the year before. Income continues to be Singapore's leading motor insurer.

In terms of motor premiums, Income's market share was 20.5% in 2015, rising from 19.0% in 2014. In terms of vehicle count, Income's market share rose from 24.6% in 2014 to 26.7% in 2015.

A key initiative for Income's Motor Insurance was the opening of the Motor Service Centre (MSC), a one-stop depot set up to provide unparalleled service in the event of an accident. The MSC complements the service provided by Orange Force to offer a seamless process to remove as much stress and anxiety as possible for motorists who were involved in accidents.

SHAREHOLDERS

The Directors propose a dividend of 6.0% for the financial year ended 31 December 2015.

OUR FINANCIAL STRENGTH AND CORPORATE GOVERNANCE

Standard & Poor's continues to award an AA- rating on Income's financial strength supported by our strong business network and our good and diversified investment portfolio which boasts strong liquidity and a satisfactory operating performance.

In 2015, Income maintained a healthy capital adequacy ratio of 263%.

We embrace and practice the highest standards of corporate governance, transparency and disclosure, while we expand and deepen our capabilities towards becoming a higher-performing organisation.

MAKING A POSITIVE IMPACT ON THE COMMUNITY

Income strives to make a positive impact on the community through our business as well as community development initiatives which are targeted to help underprivileged children and youth in Singapore.

Last year, we launched Orange Health to reward and encourage people in Singapore to maintain a healthy lifestyle. Orange Health comprised health screening at a special price and a mobile application to help users keep track of their health status. Under the initiative, Income health insurance policyholders who passed the health screening received a $50 voucher while non-policyholders received a $50 discount on their first-year premium if they signed up for Enhanced IncomeShield.

To improve the public's access to financial advice, we launched Adviser Connect in April 2015 to take advantage of the young's preference for online communication. Adviser Connect encourages the public to initiate conversations with a qualified financial planner and seek financial advice anonymously.

Under the Big Value Bag initiative with NTUC Enterprise, Income offered $1,000 to recent graduates to purchase a life insurance plan from Income with a minimum annual premium of $2,000. This initiative's aim was to motivate recent graduates to kick-start financial planning early.

DIRECTORS' REPORT

For the Financial Year Ended 31 December 2015

We are also offering $30 rebate to existing motorcycle insurance customers when they renew their policies between 1 September 2015 and 31 August 2016 to help defray their expenses. At the same time, we continue to fund OrangeSafe, a free defensive riding course for our motorcycle insurance policyholders. Participants who complete the course receive a 10% discount on their annual premiums when they renew their policy with Income.

Income remains the only insurer to offer insurance protection to the special needs community. Our SpecialCare (Autism) and SpecialCare (Down syndrome) policies provide personal accident and infectious diseases coverage to children and youth with autism and Down syndrome respectively.

Our flagship OrangeAid initiative in 2015 was the Future Development Programme; it provides 400 bursaries a year to students from low-income families studying at the Institute of Technical Education and polytechnics. This pre-vocation programme, whose main objective is to help these students and their families create a better future, also provides them with financial literacy training and opportunities for personal and career development.

In celebration of SG50, Income offered medical subsidy to children 12 years old and under holding the Community Health Assist Scheme (CHAS) Blue Card at all Healthway Medical Group clinics. This is part of OrangeAid's commitment to support low-income families by reducing their medical expenses.

OrangeAid continues to positively impact the lives of more than 2,500 children and youth through the 14 specialised schools and charity organisations we support. The activities and programmes OrangeAid funds are aimed at building the confidence, character and resilience of students. They include the APS Challenge, Crest Secondary School's "Crest Quest" and Spectra Secondary School's "I Believe" programme. We also support early intervention programmes such as pre-school dyslexia screening, remediation and school-aged psychological assessments.

In 2015, Income contributed a total of $2.8 million to the Labour Movement, including $1.0 million to the U Care Fund that provides assistance to low-income members and their families, and $750,000 as part of the SG50 celebration.

CONCLUSION

The Directors would like to express their deepest appreciation to NTUC, the unions and affiliates, Income's partners, customers, management and staff for their contributions to Income.

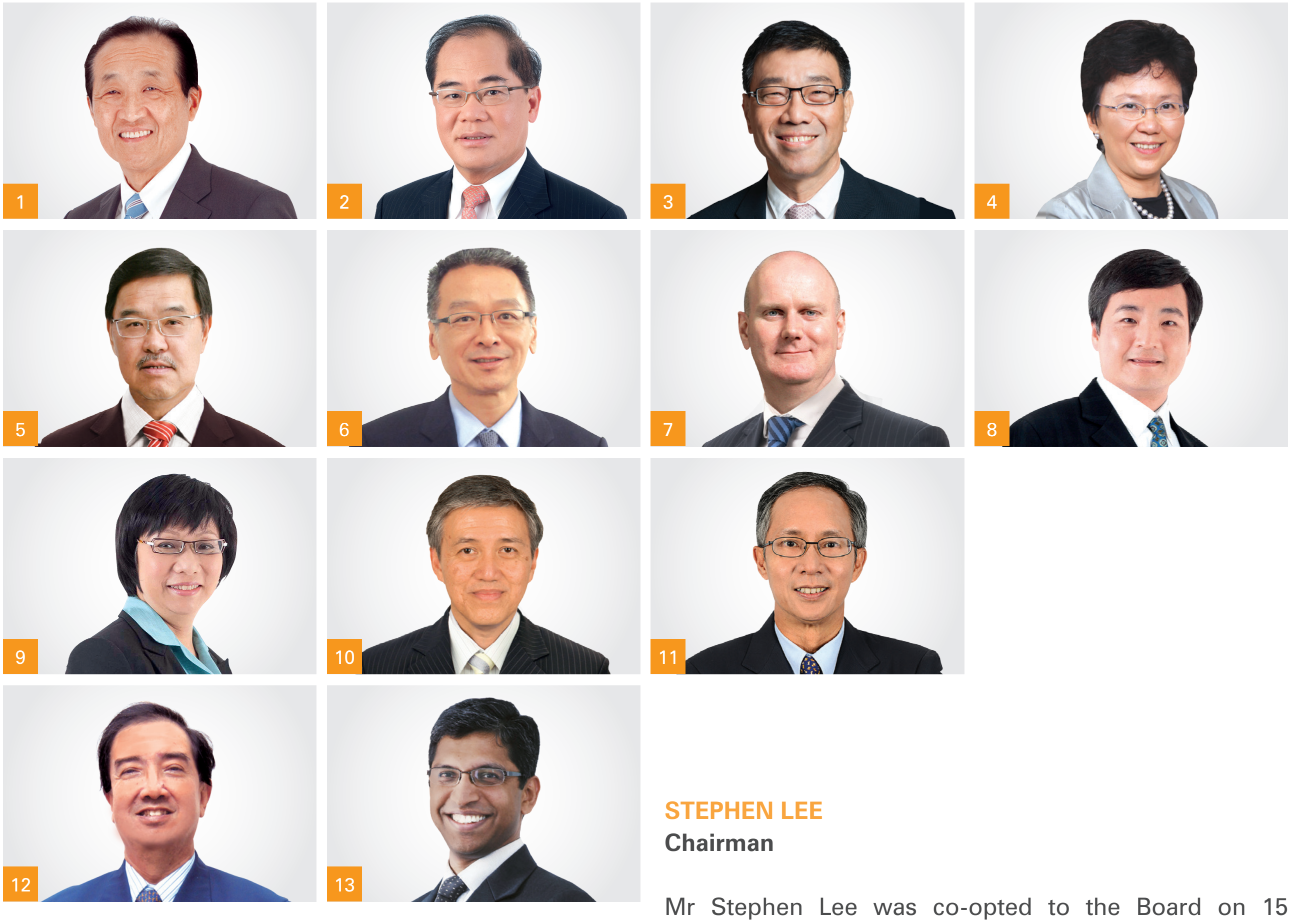
It is only with their unwavering support that Income is able to become a social enterprise of distinction, one that is able to positively impact the lives of the people we serve through insurance that is made simple, made honest and made different.

For and on behalf of the Board of Directors

Stephen Lee
Chairman

Singapore, 23 March 2016

BOARD OF DIRECTORS



1 Mr Stephen Lee
2 Mr Kee Teck Koon
3 Mr Tan Suee Chieh
4 Dr Audrey Chin
5 Mr Philip Eng
6 Dr Sung Cheng Chih
7 Mr Richard Shermon
8 Mr Heng Chee How
9 Ms Diana Chia
10 Mr Choong Tuck Oon
11 Mr Lau Wing Tat
12 Mr Kevin Scully
13 Mr Hri Kumar Nair

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 Chairman on 1 January 2014. He is 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 and a member of the NTUC-ARU Board of Trustees, 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, Distinguished Service Order in 2006 and the Order of Nila Utama (First Class) in 2015 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.

BOARD OF DIRECTORS

KEE TECK KOON
Deputy Chairman

Mr Kee Teck Koon was elected to the Board on 3 June 2014 as Director representing the Founder Member. He is the Deputy Chairman of the Board and a member of the Investment, Nominating and Human Resource & Remuneration Committees.

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 Chief Investment Officer of CapitaLand Limited in July 2009.

Mr Kee holds a Master of Arts from Oxford University.

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 29 May 2015. 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 either as Deputy Chairman or Director on many of the Boards of the NTUC social enterprises. He is also 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 has a Master's 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, 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 Ltd. She holds a PhD in Public Policy from Rand Graduate School.

PHILIP ENG
Director

Mr Philip Eng was first elected to the Board on 30 May 2008 and was last re-elected as Director representing Institutional Members on 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

BOARD OF DIRECTORS

Government of Singapore Investment Corporation (GIC) in 1993 and retired as Managing Director and Chief Risk Officer for the GIC Group in 2011.

Dr Sung is currently CEO and Executive Director of Avanda Investment Management Pte Ltd, 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 holds a PhD 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 in Melbourne. He has more than 25 years of experience in financial services, including 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 Oxford University and is a Fellow of the Faculty and Institute of Actuaries, UK.

HENG CHEE HOW
Director

Mr Heng Chee How was first elected to the Board on 23 May 2012 and last re-elected as Director representing the Founder Member on 29 May 2015. 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 Limited 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 from Cambridge University and a Master in Public Administration from Harvard University.

DIANA CHIA
Director

Ms Diana Chia was first elected to the Board on 23 May 2012 and last re-elected as Director representing the Institutional Members on 29 May 2015. She is a member of the Audit Committee.

Ms Chia is the General Secretary of the Healthcare Employees Union. She was a member of the NTUC Central Committee from 1994 to 2015 and has been active in its Women's Programme. Ms Chia is a Director of NTUC Enterprise Co-operative Limited 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 first elected to the Board on 23 May 2012 and last re-elected as Director representing the Ordinary Members on 29 May 2015. He is a member of the Risk Management Committee.

Mr Choong is currently mentoring and advising various digital start-up initiatives in NUS Enterprise, Media Development Authority and Singapore infocomm Technology Federation (SiTF). He was with Accenture for more than 20 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

BOARD OF DIRECTORS

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 an independent non-executive Director of RHB Private Equity and FIDE Forum. He previously held independent non-executive Director positions in various commercial banks, Islamic bank and securities firm in the region.

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

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 and a member of the Nominating and Human Resource & Remuneration Committees.

Mr Lau is currently a Director of the Central Provident Fund Board and Hyflux Limited. Mr Lau joined the Government of Singapore Investment Corporation (GIC) in 1983 for a career in Investment Management. He was with GIC for 20 years, where he played a number of different roles in various departments. Between February 2005 and June 2007, Mr Lau served as 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, a Chartered Financial Analyst, has a First Class Honours degree in Mechanical Engineering from the University of Singapore.

KEVIN SCULLY
Director

Mr Kevin Scully was co-opted to the Board on 1 January 2015 and formally elected as Director representing the Founder Member on 29 May 2015. He is a member of the Investment and Audit Committees.

Mr Scully holds directorships in Sen Yue Holdings Ltd, 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 and the Dover Park Hospice.

Mr Scully has more than 30 years of experience in equities research and analysis, as well as corporate advisory matters. The senior positions he held included 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.

HRI KUMAR NAIR
Director

Mr Hri Kumar Nair was co-opted to the Board on 3 September 2015 as Director representing the Founder Member. He is a member of the Risk Management Committee.

Mr Nair holds a Bachelor of Law (Honours) degree from the National University of Singapore. He has more than 20 years of extensive dispute resolution experience across multiple legal disciplines. He is recognised by the market as an expert in dispute resolution with industry publications lauding him as one of Singapore's best in both litigation and arbitration. He was appointed Senior Counsel in 2008.

Mr Nair acts in a wide range of litigation and arbitration matters for major international and local companies and financial institutions. His main areas of expertise include contract and tort, banking, trust, libel, corporate/commercial disputes, shareholder disputes, insolvency, and professional negligence. He has also advised on regulatory issues and has led teams to investigate fraud and other issues in both private and listed companies.

CORPORATE GOVERNANCE

INTRODUCTION

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 Income.

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 13 members as follows:

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

Mr Kevin Scully was co-opted to the Board on 1 January 2015 and formally elected at the 45th Annual General Meeting (AGM) held on 29 May 2015. Mr Hri Kumar Nair was co-opted to the Board on 3 September 2015. Mr Kee Teck Koon was elected as Deputy Chairman by the Board on 10 September 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.

The NC considers all but six 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, as well as Mr Hri Kumar Nair who is non-independent due to business relationship. The current composition of the Board satisfies the statutory requirement of having a majority of independent directors.

CORPORATE GOVERNANCE

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. In 2015, a full day retreat was held for management to engage the Board on a strategic review to discuss the roadmap for the next five years.

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 2015

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

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	–	–	–	–	–	–
Kee Teck Koon(1)	–	–	–	–	1	1
Tan Suee Chieh	4	4	3	3	4	4
Audrey Chin(2)	2	2	3	3	4	4
Philip Eng	–	–	–	–	–	–
Sung Cheng Chih	4	3	3	3	4	4
Richard Shermon	4	4	–	–	–	–
Heng Chee How	4	3	–	–	–	–
Diana Chia	–	–	–	–	–	–
Choong Tuck Oon	4	4	–	–	–	–
Lau Wing Tat(3)	–	–	–	–	1	1
Kevin Scully(4)	–	–	–	–	–	–
Hri Kumar Nair(5)	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 the HRRC and NC on 1 Sep and 3 Sep 2015 respectively
(2) Stepped down from the RMC on 3 Sep 2015
(3) Appointed as member of the HRRC and NC on 1 Sep and 3 Sep 2015 respectively
(4) Appointed as member of the IC on 1 Jan 2015 and member of the AC on 3 Mar 2015
(5) Appointed as member of the RMC on 3 Sep 2015

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. Two half-day induction programmes were conducted in 2015 for the newly co-opted 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 Committee 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 five members as follows:

Chairman	Philip Eng
Members	Richard Shermon
	Diana Chia
	Kevin Scully
	Pang Wai Yin

Mr Kevin Scully was appointed to the AC with effect from 3 March 2015. As part of succession planning for the Board Committees as well as to strengthen the current membership of the committees, Ms Pang Wai Yin was appointed as a non-Board member of the AC with effect from 1 October 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 Internal Audit is a member 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 four times during the year. Internal auditors, the CEO and certain senior management executives attended these meetings. The external auditors attended all four meetings.

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

The AC reviewed its terms of reference and the Internal Audit Charter to ensure they are adequate and relevant. 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, the 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, which was in place throughout the financial year up to the date of this report, provides reasonable, but not absolute, assurance against material financial mis-statements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of financial risk. The AC notes that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE

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

Chairman Lau Wing Tat

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

Mr Kevin Scully was appointed to the IC following his co-option to the Board on 1 Jan 2015. Mr Mark Wang joined the IC when he assumed the position of Chief Investment Officer on 31 August 2015.

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 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 seven members as follows:

Chairman Sung Cheng Chih

Members Tan Suee Chieh
Richard Shermon
Heng Chee How
Choong Tuck Oon
Hri Kumar Nair
Pang Wai Yin

CORPORATE GOVERNANCE

Mr Hri Kumar Nair was appointed to the RMC following his co-option to the Board on 3 September 2015. Dr Audrey Chin stepped down from the RMC on the same date. Ms Pang Wai Yin was appointed as a non-Board member of the RMC effective 1 October 2015.

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 relationship to the RMC.

The RMC held four meetings during the year. It reviewed and discussed with management, the risk management strategy and plans forward, the risk appetite, 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 strategic discussions. 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 five members as follows:

Chairman	Sung Cheng Chih
Members	Kee Teck Koon Tan Suee Chieh Audrey Chin Lau Wing Tat

Mr Kee Teck Koon and Mr Lau Wing Tat were appointed members of the NC with effect from 3 September 2015.

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

CORPORATE GOVERNANCE

- Assess skills of directors on an annual basis and identify whether the Board or Board committees lack any skills
- Determine the independence of each director prior to every annual general meeting 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 three times during the year. The key areas reviewed were the assessment of new Board candidates, the skills and competencies needed on the Board, the composition of the Board Committees and independence of directors. The NC also carried out the annual Board evaluation exercise.

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

Chairman	Sung Cheng Chih
Members	Kee Teck Koon
	Tan Suee Chieh
	Audrey Chin
	Lau Wing Tat

Mr Kee Teck Koon and Mr Lau Wing Tat were appointed members of the HRRC with effect from 1 September 2015.

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 every two years
- Review appointments and terminations of senior management and to recommend to the Nominating Committee for approval
- Review and recommend the remuneration of non-executive directors to members for approval at the AGM

The HRRC met four times during the year. The key areas reviewed were the remuneration framework, remuneration of the senior management team, development plans for senior management, alignment to corporate governance and review of the social impact indicators. 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
The honoraria payable to non-executive directors in 2015 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 2015

Name of Director	Director Fee	Fee for attendance at Board meetings	Total Remuneration
Stephen Lee	$50,000.00	$300	$50,300.00
Kee Teck Koon	$43,184.93	$250	$43,434.93
Tan Suee Chieh	$41,250.00	$300	$41,550.00
Audrey Chin	$41,250.00	$300	$41,550.00
Philip Eng	$47,500.00	$300	$47,800.00
Sung Cheng Chih	$47,500.00	$300	$47,800.00
Richard Shermon	$41,250.00	$250	$41,500.00
Heng Chee How	$41,250.00	$250	$41,500.00
Diana Chia	$41,250.00	$250	$41,500.00
Choong Tuck Oon	$41,250.00	$300	$41,550.00
Lau Wing Tat	$47,500.00	$300	$47,800.00
Kevin Scully	$41,250.00	$300	$41,550.00
Hri Kumar Nair(1)	$13,561.64	$150	$13,711.64
Chua Lee Ming(2)	$3,503.42	$0	$3,503.42

(1) Co-opted to the Board on 3 Sep 2015
(2) Stepped down from the Board on 1 Feb 2015

Immediate Family Member of Directors
The Co-operative did not employ any immediate family member of a director in 2015.

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 a disadvantages to the Co-operative's business interests would far outweigh the benefits of such a disclosure in view of the disparities in remuneration in the industry and the competitive pressure that is likely to result from such a disclosure.

CORPORATE GOVERNANCE

COMMUNICATION WITH MEMBERS

Members of the Co-operative can access relevant information on the Co-operative at its website at www.income.com.sg. Members are also given the opportunity to participate actively at the Co-operative's 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).

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. 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 controls environment.

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

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

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

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

CORPORATE GOVERNANCE

Roles and Responsibilities

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

The role of the RMC 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 RMC 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

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

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

The asset pool backing liabilities are invested in fixed income bonds with a conservative mix of Singapore government versus investment grade corporate bonds. The duration of the assets is driven by the profile of the liabilities, targeting good cash flow match to 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 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 2015

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

For 2015, the economic environment was volatile and uncertain. The Co-operative remains financially sound and the insurance contract provisions are sufficient to meet future obligations. Our assets decreased by $385 million while insurance contract provisions decreased by $357 million.

Insurance Funds	* Net Assets ($million)			Insurance Contract Provisions ($million)		
	31-Dec-14	31-Dec-15	% change	31-Dec-14	31-Dec-15	% change
Life Insurance						
Participating Fund	24,447	**23,863**	-2.4%	24,117	**23,494** ^	-2.6%
Non-Participating Fund	2,687	**2,846**	5.9%	1,613	**1,778**	10.2%
Investment-Linked Fund	1,491	**1,563**	4.8%	1,481	**1,554**	4.9%
General Insurance Fund	1,312	**1,280**	-2.4%	608	**636**	4.6%
Total Insurance Funds	29,937	**29,552**	-1.3%	27,819	**27,462**	-1.3%

* Net Assets is the assets net of other liabilities
^ Includes Investment contract liabilities of $17.5 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, morbidity, and expenses 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 a long-term horizon and it is this which primarily drives our bonus allocation. Short-term fluctuations will be smoothed out. In 2015, the return for the Life Insurance Participating Fund was at 1.79%.

After weighing the financial analysis, policyholders' reasonable expectation, and senior management's view, my recommendation is to maintain the bonus rates for majority of the products and to trim the annual bonus rates for selected annuity policies in 2015 and the terminal (or special) bonus rates for selected endowment policies maturing between 1 April 2016 and 31 March 2017. The bonus rates will be published on the Co-operative's website in April 2016.

APPOINTED ACTUARY'S REPORT

For the Financial Year Ended 31 December 2015

Below is a summary of the financials after taking account the following changes in the respective insurance funds in 2015.

(in $'000)	Life Insurance Participating Fund	Life Insurance Non-Participating Fund	Investment Linked Fund	General Insurance Fund
Accumulated Surplus held in Insurance Funds as at 31 Dec 2014	330,012	392,177	10,836	703,744
Add Investment Income from Surplus Account	(2,947)	NA	NA	NA
Add Net Surplus for the year	50,287*	4,476	(1,993)	22,189
Less transfer to reserve for future distribution	–	(271,541)	–	–
Less transfer to Shareholders' Fund	9,236	11,043	–	81,058
Accumulated Surplus held in Insurance Funds as at 31 Dec 2015	368,116	657,151	8,843	644,875

* Net surplus is calculated as 1 / 9 of the cost of bonus

The total cost of bonus in 2015 is $452.6 million, which includes $171.7 million of bonus that was paid on policies that terminated in the year 2015. With this, I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $50.3 million, to the Life Insurance Participating Fund Surplus Account. In addition, we will continue to transfer 18% of this amount (or $9.2 million) to the Shareholders' Fund.

I also recommended a transfer to the Shareholders' Fund of $11.0 million from the Life Insurance Non-Participating Fund and $81.1 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.

mala

Lau Sok Hoon
Appointed Actuary

Singapore, 23 March 2016

STATEMENT BY DIRECTORS

For the Financial Year Ended 31 December 2015

In the opinion of the directors,

(a) the consolidated financial statements of the Group as set out on pages 28 to 117 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended 31 December 2015 in accordance with the provisions of the Co-operative Societies Act, Chapter 62 (the Act) and Singapore Financial Reporting Standards;

(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; and

(c) the receipt, expenditure, investment of moneys and the acquisition and disposal of assets by the Co-operative during the year have been made in accordance with the By-laws of the Co-operative and the provisions of the Act.

On behalf of the Board of Directors

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

Singapore, 23 March 2016

INDEPENDENT AUDITORS' REPORT

Members of the Co-operative
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), which comprise the consolidated statement of financial position of the Group as at 31 December 2015, 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 28 to 117.

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 such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for qualified opinion

As stated in Notes 2(s) and 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 $638,787,000 (2014: $439,541,000) less the corresponding treasury shares of $14,159,000 (2014: $14,159,000) would be reflected as a liability, and dividends paid of $31,888,000 (2014: $25,506,000) 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 the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2015, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Other matter

The financial statements of the Group for the year ended 31 December 2014 were audited by another auditor. The auditors' report dated 24 March 2015 issued by the predecessor auditor on the financial statements for the year ended 31 December 2014 was unqualified, except for the presentation of the share capital as equity.

INDEPENDENT AUDITORS' REPORT

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 By-laws of the Co-operative and the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the By-laws of the Co-operative and the provisions of the Act.

Auditors' 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 By-laws of the Co-operative and 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) the accounting and other records of those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the Singapore Companies Act, Chapter 50;

(b) the receipt, expenditure, investment of moneys and the acquisition and disposal of assets by the Co-operative during the year are, in all material respects, in accordance with the By-laws of the Co-operative and the provisions of the Act; and

(c) proper accounting and other records have been kept by the Co-operative.

Public Accountants and Chartered Accountants

Singapore, 23 March 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		The Group 2015					
	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	8,450	–	–	–	–	8,450
Intangible assets	6	30,093	4,472	–	–	–	34,565
Investment properties	7	1,698,529	–	–	–	–	1,698,529
Investment in subsidiaries	8	–	–	–	–	–	–
Investment in joint venture	9	106,816	–	–	–	–	106,816
Investment in associated companies	10	353,028	–	–	–	117,854	470,882
Other financial assets	11	21,558,460	2,837,133	1,524,904	1,384,525	926,910	28,231,932
Loans	13	694,379	–	–	–	–	694,379
Derivative financial instruments	14	20,708	395	1,561	977	2,121	25,762
Reinsurers' share of insurance contract provisions	15	–	–	–	35,642	–	35,642
Insurance and other receivables	16	97,930	22,076	11,881	19,348	127,132	278,367
Cash and cash equivalents	17	562,599	108,381	43,869	82,488	46,241	843,578
		25,130,992	2,972,457	1,582,215	1,522,980	1,220,258	32,428,902
LIABILITIES							
Insurance contract provisions	15	23,476,963	1,778,188	1,553,675	671,166	–	27,479,992
Investment contract liabilities		17,481	–	–	–	–	17,481
Derivative financial instruments	14	216,273	4,635	3,131	8,477	5,798	238,314
Borrowings	18	418,342	–	–	–	599,023	1,017,365
Insurance and other payables	19	629,161	122,295	16,566	198,462	81,962	1,048,446
		24,758,220	1,905,118	1,573,372	878,105	686,783	29,801,598
NET ASSETS		372,772	1,067,339	8,843	644,875	533,475	2,627,304
SHARE CAPITAL AND RESERVES							
Share capital	20	–	–	–	–	638,787	638,787
Treasury shares		–	–	–	–	(14,159)	(14,159)
Reserves for future distribution	21	–	410,188	–	–	–	410,188
Fair value reserve		–	–	–	–	3,450	3,450
Accumulated deficit of shareholders' fund	29	–	–	–	–	(94,603)	(94,603)
Accumulated surplus of insurance funds – Life insurance par fund	28	368,116	–	–	–	–	368,116
– Other insurance funds	29	–	657,151	8,843	644,875	–	1,310,869
		368,116	1,067,339	8,843	644,875	533,475	2,622,648
Non controlling interest		4,656	–	–	–	–	4,656
Total equity		372,772	1,067,339	8,843	644,875	533,475	2,627,304

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

		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 STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2015

		The Group 2015					
	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		1,576,649	733,079	277,238	303,482	–	2,890,448
Reinsurance premiums		(19,346)	(194,860)	–	(15,420)	–	(229,626)
Net premiums		1,557,303	538,219	277,238	288,062	–	2,660,822
Fee and other income	22	12,041	–	–	3,129	53	15,223
Net investment income / (losses) and fair value gains / (losses)	23	368,009	39,154	(5,144)	3,298	22,833	428,150
Total		1,937,353	577,373	272,094	294,489	22,886	3,104,195
Benefits and claims							
Gross claims, surrenders and annuities		2,423,561	427,834	190,342	147,743	–	3,189,480
Bonus to policyholders		280,855	–	–	–	–	280,855
(Decrease) / Increase in insurance contract provisions		(975,710)	156,099	73,102	24,020	–	(722,489)
Less: Reinsurers' share of insurance benefits and claims		(11,615)	(91,112)	–	(3,912)	–	(106,639)
Net insurance benefits and claims		1,717,091	492,821	263,444	167,851	–	2,641,207
Expenses							
Interest expenses	18	6,533	–	–	–	22,027	28,560
Selling expenses		81,555	23,118	7,420	40,694	–	152,787
Management expenses	24	84,834	56,958	3,223	63,755	8,586	217,356
Total claims and expenses		1,890,013	572,897	274,087	272,300	30,613	3,039,910
Net operating surplus / (deficit)		47,340	4,476	(1,993)	22,189	(7,727)	64,285
Transfer to insurance contract provisions		(22,054)	–	–	–	–	(22,054)
Transfer to Shareholders' Fund		(9,236)	–	–	–	9,236	–
Contribution to Central Co-operative Fund		–	–	–	–	(25)	(25)
Contribution to Singapore Labour Foundation		–	–	–	–	(19,186)	(19,186)
Share of result of associated companies and joint venture		22,089	–	–	–	(9,153)	12,936
Net surplus / (deficit) for the year		38,139	4,476	(1,993)	22,189	(26,855)	35,956

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2015

		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		322,412	–	–	–	–	322,412
(Decrease) / Increase in insurance contract provisions		(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		(14,358)	–	–	–	–	(14,358)
Transfer to Shareholders' Fund		(8,971)	–	–	–	8,971	–
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	139,938	(1,398)	125,472	(9,560)	307,775

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2015

	Note	The Group 2015 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' 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		**60,234**	**–**	**–**	**–**	**(11,863)**	**48,371**
Share in other comprehensive income of associated companies and joint venture	10	**–**	**–**	**–**	**–**	**–**	**–**
Transfer to insurance contract provisions		**–**	**–**	**–**	**–**	**–**	**–**
Change in liabilities for insurance contracts arising from unrealised available-for-sale movements		**(59,587)**	**–**	**–**	**–**	**–**	**(59,587)**
Items that will not be reclassified subsequently to profit or loss:							
Transfer from reserves for future distribution	21	**–**	**36,541**	**–**	**–**	**–**	**36,541**
Total comprehensive income		**38,786**	**41,017**	**(1,993)**	**22,189**	**(38,718)**	**61,281**
Net surplus / (deficit) for the year excluding non controlling interest		**38,104**	**4,476**	**(1,993)**	**22,189**	**(26,855)**	**35,921**
Non controlling interest		**35**	**–**	**–**	**–**	**–**	**35**
		38,139	**4,476**	**(1,993)**	**22,189**	**(26,855)**	**35,956**
Total comprehensive income / (loss) excluding non controlling interest		**38,104**	**41,017**	**(1,993)**	**22,189**	**(38,718)**	**60,599**
Non controlling interest		**682**	**–**	**–**	**–**	**–**	**682**
		38,786	**41,017**	**(1,993)**	**22,189**	**(38,718)**	**61,281**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2015

		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		3	–	–	–	–	3
Change in liabilities for insurance contracts arising from unrealised available-for-sale movements		(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	59,426	(1,398)	125,472	18,961	258,259
Net surplus / (deficit) for the year excluding non controlling interest		53,298	139,938	(1,398)	125,472	(9,560)	307,750
Non controlling interest		25	–	–	–	–	25
		53,323	139,938	(1,398)	125,472	(9,560)	307,775
Total comprehensive income / (loss) excluding non controlling interest		53,298	59,426	(1,398)	125,472	18,961	255,759
Non controlling interest		2,500	–	–	–	–	2,500
		55,798	59,426	(1,398)	125,472	18,961	258,259

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2015

		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 2015		–	–	–	–	**439,541**	**439,541**
Issuance of participating shares	20	–	–	–	–	**201,522**	**201,522**
Redemption of participating shares	20	–	–	–	–	**(2,276)**	**(2,276)**
At 31 December 2015		–	–	–	–	**638,787**	**638,787**
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
Accumulated surplus							
At 1 January 2015		**330,012**	**392,177**	**10,836**	**703,744**	**(127,961)**	**1,308,808**
Net surplus / (deficit) for the year		**38,104**	**4,476**	**(1,993)**	**22,189**	**(26,855)**	**35,921**
Transfer from reserves for future distribution		–	**271,541**	–	–	–	**271,541**
Transfer to Shareholders' Fund		–	**(11,043)**	–	**(81,058)**	**92,101**	–
Dividends for 2014 paid	27	–	–	–	–	**(31,888)**	**(31,888)**
At 31 December 2015		**368,116**	**657,151**	**8,843**	**644,875**	**(94,603)**	**1,584,382**
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	139,938	(1,398)	125,472	(9,560)	307,750
Transfer to reserves for future distribution		–	(80,512)	–	–	–	(80,512)
Transfer to Shareholders' Fund		–	(11,885)	–	(25,093)	36,978	–
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
Fair value reserve							
At 1 January 2015		–	–	–	–	**15,313**	**15,313**
Comprehensive income for the year		–	–	–	–	**(11,863)**	**(11,863)**
At 31 December 2015		–	–	–	–	**3,450**	**3,450**
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
Reserves for future distribution							
At 1 January 2015		–	**681,729**	–	–	–	**681,729**
Transfer to accumulated surplus		–	**(271,541)**	–	–	–	**(271,541)**
At 31 December 2015	21	–	**410,188**	–	–	–	**410,188**
At 1 January 2014		–	601,217	–	–	–	601,217
Transfer from accumulated surplus		–	80,512	–	–	–	80,512
At 31 December 2014	21	–	681,729	–	–	–	681,729

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2015

	Note	The Group					
		Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Treasury shares							
At 1 January 2015		**–**	**–**	**–**	**–**	**(14,159)**	**(14,159)**
At 31 December 2015		**–**	**–**	**–**	**–**	**(14,159)**	**(14,159)**
At 1 January 2014		–	–	–	–	(14,159)	(14,159)
At 31 December 2014		–	–	–	–	(14,159)	(14,159)
At 31 December 2015		**368,116**	**1,067,339**	**8,843**	**644,875**	**533,475**	**2,622,648**
At 31 December 2014		330,012	1,073,906	10,836	703,744	312,734	2,431,232
Equity of non-controlling interest							
At 1 January 2015		**3,974**	**–**	**–**	**–**	**–**	**3,974**
Comprehensive income for the year		**682**	**–**	**–**	**–**	**–**	**682**
At 31 December 2015		**4,656**	**–**	**–**	**–**	**–**	**4,656**
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
Total at 31 December 2015		**372,772**	**1,067,339**	**8,843**	**644,875**	**533,475**	**2,627,304**
Total at 31 December 2014		333,986	1,073,906	10,836	703,744	312,734	2,435,206

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2015

	Note	2015 $'000	2014 $'000
Operating activities			
Net surplus after contribution to Central Co-operative Fund and Singapore Labour Foundation		**35,956**	307,775
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		**19,211**	2,378
Depreciation of property, plant and equipment		**3,572**	3,195
Amortisation of bonds, borrowing and finance cost		**1,718**	1,795
Amortisation of intangible assets		**13,894**	13,906
Interest income		**(41,182)**	(39,235)
Dividend income		**(227,006)**	(221,560)
Interest expense		**28,560**	26,718
Gain on changes in fair value of other financial assets		**(482,738)**	(1,569,318)
Loss on changes in fair value of derivatives		**365,573**	341,799
Gain on changes in fair value of investment properties		**(64,911)**	(50,024)
Allowance for impairment made during the year		**34,844**	14
Allowance for doubtful loans written back		**(93)**	(109)
Loans written back		**(283)**	(6)
Allowance for doubtful receivables written off / (written back)		**870**	(1,124)
Bonus to policyholders		**280,855**	322,412
(Increase) / decrease in reinsurers' share of insurance contract provision		**(6,538)**	286
(Decrease) / increase in insurance contract provisions		**(621,945)**	23,224
Share of profit of associated companies and joint venture company		**(12,936)**	(15,315)
Other non-cash adjustment		**647**	2,475
Operating cash flows before changes in working capital		**(671,932)**	(850,714)
Changes in working capital:			
Insurance and other receivables		**(75,980)**	18,937
Insurance and other payables		**37,231**	476,152
Investment contract liabilities		**(9,679)**	(5,600)
Cash used in operations		**(720,360)**	(361,225)
Cash flows used in operating activities		**(720,360)**	(361,225)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2015

	Note	2015 $'000	2014 $'000
Investing activities			
Purchase of property, plant and equipment		**(2,326)**	(3,568)
Purchase of intangible assets		**(10,652)**	(8,936)
Purchase of investment properties		**(1,520)**	(43,373)
Proceeds from disposal of property, plant and equipment and intangible assets		**49**	60
Proceeds from disposal of associated companies		**–**	3,475
Interest received		**657,342**	616,253
Dividends received		**223,344**	223,642
Investment in associated companies and joint venture company		**–**	(21,003)
Increase in other financial assets and derivative instruments (net)		**(547,925)**	(192,611)
Increase in loans (net)		**9**	453
Cash flows from investing activities		**318,321**	574,392
Financing activities			
Proceeds from issuance of common shares		**201,522**	1,631
Redemption of common shares		**(2,276)**	(1,520)
Dividends paid		**(31,888)**	(25,506)
Interest paid		**(28,771)**	(33,740)
Redemption of fixed rate bonds		**–**	(420,000)
Proceeds from bank borrowings		**–**	420,000
Payment of financing costs on bank borrowings		**–**	(4,769)
Cash flows from / (used in) financing activities		**138,587**	(63,904)
Net (decrease) / increase in cash and cash equivalents		**(263,452)**	149,263
Cash and cash equivalents at beginning of the year		**1,107,030**	957,767
Cash and cash equivalents at end of the year	17	**843,578**	1,107,030

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group as at and for the year ended 31 December 2015 comprise the Co-operative and its subsidiaries (together referred to as the "Group") and the Group's interest in equity-accounted investees. The subsidiaries are consolidated into the respective funds.

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.

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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 3 – classification of insurance and investment contracts
- Note 7 – classification of investment properties

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 disclosed in Note 3. At reporting date, these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

A number of new standards, amendments to standards and interpretations are effective for annual period 1 January 2015, and have been applied in preparing these financial statements. None of these have a significant effect on the financial statements of the Group.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Fund accounting

The assets and liabilities of the Co-operative which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act, Chapter 142 (the Insurance Act). Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 of the Insurance Act and the Co-operative continues to be able to meet the solvency requirement of Section 18 of the Insurance Act.

Life Insurance Participating Fund (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-Participating Fund (Non-Par Fund)

The Life Insurance Non-Par Fund contains the health insurance and group term insurance businesses and non-participating life insurance contracts, which 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) 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 statement of financial position.

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 statement of financial position 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 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 the Insurance Act 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 liabilities 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 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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

The valuation of insurance contract liabilities is determined according to the Insurance Act and Insurance (Valuation and Capital) Regulations 2004 for general insurance funds.

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 reporting 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 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) 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 reporting date. Such assets are deemed impaired if there is objective evidence that the Group may not recover all amounts due from the reinsurer. The impairment loss is charged to profit or loss in the statement of comprehensive income.

(vi) Liability adequacy tests

At each reporting 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 in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue

Gross premium

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

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, and gains or losses on sale of investments.

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.

Gains or losses on sale of investments are derived from the difference between net sales proceeds and the purchase or amortised cost. They are recognised on trade date.

(e) 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.

Short-term employee benefits

Short-term employee benefits are recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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 reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 Co-operative may opt.

In the case of an insurance co-operative, the surplus excludes the 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 statement of financial position. The computation of the levy excludes fair value movement.

(g) 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 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 are recognised in the fair value reserve, together with the related currency translation differences.

Translation differences on investments designated at fair value through profit or loss, are reported as part of the fair value gain or loss.

(h) Basis of consolidation

(i) Subsidiaries

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 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 statement of financial position.

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 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Business combinations

The acquisition method in accordance with FRS103 *Business Combination* 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Basis of consolidation (continued)

(ii) Joint ventures (continued)

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 venture, 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 venture. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Basis of consolidation (continued)

(iii) Associated companies (continued)

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.

(i) 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 reporting 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.

(j) 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 reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Borrowing costs

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

(l) 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.

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.

(m) 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

Certain investments held by the Group are designated 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. 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 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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 and receivables 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 investment income. Changes in the fair value of available-for-sale debt securities 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 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) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the statement of financial position 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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 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 statement of financial position within "fair value reserve".

(o) Impairment of assets

Financial assets carried at amortised costs

The Group assesses at each reporting 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 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

Financial assets, available-for-sale

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

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

Impairment of non-financial assets

Intangible assets, property, plant and equipment and investments in subsidiaries, joint ventures and associated companies are reviewed for impairment at each reporting date to determine whether 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. 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.

(p) Insurance and other receivables

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

(q) Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Financial liabilities

Borrowings

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

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

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

A borrowing is derecognised when the obligation under the borrowing is extinguished. When an existing borrowing is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as an extinguishment of the original borrowing and the recognition of a new borrowing. The difference between the carrying amount of a borrowing extinguished shall be recognised in profit or loss.

Insurance and other payables

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

(s) Share capital and treasury shares

All paid-up shares are 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 the reporting date, and shown as a deduction from shareholders' fund in the statement of changes in equity.

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

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

(u) Other provisions

Provisions other than insurance contract provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Operating leases

Lessor – Operating leases

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

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

Lessee – Operating leases

Leases 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

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. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for Life Insurance (continued)

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 significant risk is conducted annually. Based on the results of the review, the Group's Appointed Actuary formed an opinion with regard to the expected future mortality and / or morbidity experience. The Group also uses industry / reinsurance 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.

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 return. This is based on Strategic Asset Allocation of the Par Fund and it is determined in conjunction with the risk and 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 weighted expected inflation rate and the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for Life Insurance (continued)

Assumption table

The table below briefly describe the assumptions used in the valuation of provision for future participating and non-participating benefits in the Life Insurance Par Fund, Life Insurance Non-Par Fund, and Investment Linked Fund.

2015

Assumptions	
Interest Rate	MAS prescribed discount rate for guaranteed benefits, expected long term investment return for non-guaranteed benefits
Lapse / Surrender Rate	Based on internal lapse experience studies
Selling Expense	Based on current commission structure
Management Expense	Based on internal expense studies
Inflation Rate	Based on internal expense studies
Non-guaranteed future bonus	2015 Bonus Rates
Mortality / Morbidity (Death, TPD, Dread Disease & Other Risk)	Adjusted Mortality / Morbidity Table based on internal studies or Reinsurance rates, whichever is appropriate
Mortality Rate (Annuities)	Adjusted Mortality table with age reduction and mortality improvement based on internal studies

Effect of Changing Assumptions

For the valuation as at 31 December 2015, the Group has updated the liability valuation assumptions as compared to 1 January 2015. The impact of the changes to the insurance contract provision for guaranteed benefits is listed in the following table:

Fund	Change in insurance contract provision for guaranteed benefits ($'000)	% of insurance contract provision for guaranteed benefits
Par	**(127,782)**	**-1.1%**
Non-Par	**19,209**	**1.1%**
Investment Linked	**194**	**100.0%**

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance (continued)

Valuation methodology

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

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

Assumptions

The key assumptions of the actuarial valuation models include:

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

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

For the valuation as at 31 December 2015, the basis of liability valuation assumptions has not been changed as compared to previous annual valuation.

Effect of Changing Assumptions used for General Insurance

Changes	Change in Gross Claim Liability ($'000)	% Increase / (decrease) in Gross Claim Liability
Change in assumptions and experience	(57,959)	-15.2%

The table above summarises the effect of changing assumptions has on 2014 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.

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 2015 is $510 million (2014: $480 million) as compared to net claims liability of $477 million (2014: $453 million).

The gross premium liability as at 31 December 2015 is $162 million (2014: $158 million) as compared to net premium liability of $159 million (2014: $156 million).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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 2015 ($'000)

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	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	224,563	
1 year later	198,300	175,776	196,521	240,920	226,472	186,768	196,745	216,590	215,523	204,892		
2 years later	197,168	172,310	194,974	235,024	222,855	177,787	190,208	204,478	197,808			
3 years later	195,546	174,119	193,230	233,214	215,323	171,039	174,294	187,817				
4 years later	193,766	172,861	194,115	228,141	212,516	163,020	165,455					
5 years later and beyond	175,091	168,108	189,164	220,296	204,336	159,162						
Estimate of gross cumulative claims	175,091	168,108	189,164	220,296	204,336	159,162	165,455	187,817	197,808	204,892	224,563	2,096,692
Cumulative claim payments	174,783	167,763	187,419	217,448	195,844	149,667	137,510	140,281	124,607	105,995	66,376	1,667,693
Estimate of gross claim liabilities	308	345	1,745	2,848	8,492	9,495	27,945	47,536	73,201	98,897	158,187	428,999
Claims handling expenses	18	20	101	165	493	551	1,622	2,760	4,250	5,742	9,184	24,906
Estimate of gross claim liability before recoveries	326	365	1,846	3,013	8,985	10,046	29,567	50,296	77,451	104,639	167,371	453,905
Estimate of gross claim liabilities for prior accident years												171
Recoveries and other adjustments												(1,255)
Provisions for adverse deviation												56,710
Gross claim liabilities												509,531

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

Claims development table 2015 ($'000)

Accident year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	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	209,542	
1 year later	192,392	170,240	185,819	223,280	210,311	172,582	184,283	203,562	202,798	191,187		
2 years later	190,960	162,926	180,698	218,253	205,928	166,526	178,766	192,406	184,577			
3 years later	184,896	161,370	179,441	215,500	201,684	160,751	164,004	175,254				
4 years later	179,578	160,525	179,372	213,690	199,733	153,395	154,389					
5 years later and beyond	163,380	156,864	176,512	205,561	190,668	148,516						
Estimate of net cumulative claims	163,380	156,864	176,512	205,561	190,668	148,516	154,389	175,254	184,577	191,187	209,542	1,956,450
Cumulative net claim payments	163,093	156,542	174,883	202,904	182,744	139,656	128,313	130,898	116,272	98,905	61,936	1,556,146
Estimate of net claim liabilities	287	322	1,629	2,657	7,924	8,860	26,076	44,356	68,305	92,282	147,606	400,304
Claims handling expenses	18	20	101	165	493	551	1,622	2,760	4,250	5,742	9,184	24,906
Estimate of net claim liability before recoveries	305	342	1,730	2,822	8,417	9,411	27,698	47,116	72,555	98,024	156,790	425,210
Estimate of net claim liabilities for prior accident years												161
Recoveries and other adjustments												(1,279)
Provisions for adverse deviation												52,485
Net claim liabilities												476,577

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 reporting date, the Group's investment in associated company, NTUC Choice Homes Co-operative Ltd ("Choice Homes") has a carrying amount of $117,854,000 (2014: $127,009,000) which is above its share redemption value of $20,000,000 (2014: $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 financial position, 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

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 persistency risk.

In general, payment occurs upon death, occurrence of specific morbidity, surrender, or survival of the policyholder, depending on the type of policy.

For Participating policies, 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.

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

To manage insurance risk, the Group has implemented underwriting and claims management guidelines and procedures. It also considers its reinsurance coverage to manage its overall risk exposure according to the risk appetite.

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 death and morbidity covers, the Group transfers insurance risk in excess of its retention limit to its appointed reinsurers on a per life basis. In addition, for applicants that have mortality risks higher than the Group's tolerance level, these risks will also be ceded to the reinsurance companies.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(a) Life Insurance Contracts Risk Management (continued)

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

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.

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.

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.

Inevitably, there remains uncertainty about future longevity and persistency that cannot be removed.

Sensitivity Analysis

(i) Life Insurance Par Fund

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

		2015		2014	
Assumption	**Change**	**Impact On Liabilities ($'000)**	**Impact On Liabilities (%)**	**Impact On Liabilities ($'000)**	**Impact On Liabilities (%)**
Interest rates	+100 bps	**–**	**0%**	–	0%
	-100 bps	**3,523,534**	**15.0%**	2,508,558	10.4%
Mortality / morbidity / longevity					
– life insurance contracts, excluding annuities	+20%	**–**	**0%**	–	0%
	-20%	**–**	**0%**	–	0%
– annuities contracts	Mortality Improvement of 1 Year	**–**	**0%**	–	0%
	Mortality Deterioration of 1 Year	**–**	**0%**	–	0%
Lapses	+20%	**–**	**0%**	–	0%
	-20%	**–**	**0%**	–	0%

The liability is defined according to the Insurance Act, Chapter 142. In most scenarios, the value of the policy assets of the fund exceeds the Minimum Condition Liability and the sum of the liability in respect of each policy of the fund. As such, the sensitivity does not have an impact to the liability the Group is holding except in the scenario of: decrease 1% in interest rate (the corresponding amount will be recognised as surplus / losses).

The impact to the profit or loss for the Par Fund is determined by the cost of declared bonus, where the Group reserves the right to vary the bonus scale under the specific scenario.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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 liabilities.

		2015		2014	
Assumption	**Change**	**Impact On Liabilities ($'000)**	**Impact On Liabilities (%)**	**Impact On Liabilities ($'000)**	**Impact On Liabilities (%)**
Interest rates	+100 bps	**(330,130)**	**-18.6%**	(305,432)	-18.9%
	-100 bps	**515,814**	**29.0%**	486,334	30.2%
Mortality / morbidity	ElderShield: +11.1% Morbidity DPS: +5% Mortality Non Par Life: +20% Mortality G&H: +20% Morbidity	**134,223**	**7.5%**	128,268	8.0%
	ElderShield: -11.1% Morbidity DPS: -5% Mortality Non Par Life: -20% Mortality G&H: -20% Morbidity	**(100,911)**	**-5.7%**	(106,784)	-6.6%
Lapses	Eldershield: +50bps DPS: +50bps Non Par Life:+20%	**(13,951)**	**-0.8%**	(14,197)	-0.9%
	Eldershield: -50bps DPS: -50bps Non Par Life: -20%	**14,978**	**0.8%**	15,281	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 $330 million (2014: $305 million), and a corresponding amount will be recognised as surplus.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) General Insurance Contracts Risk Management (continued)

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.

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 two 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, the Group’s 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. About 80% (2014: 80%) of the Group’s general insurance portfolio is motor insurance with risks well diversified across private cars, commercial vehicles, motorcycles, buses and taxis.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) General Insurance Contracts Risk Management (continued)

Sensitivity Analysis

Given the uncertainty in establishing the claims and premium 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 insurance liabilities (claims and premium liabilities), the corresponding amount will be recognised as surplus:

		2015		2014	
Assumption	Change	Impact on Net liabilities $'000	Impact on Net liabilities %	Impact on Net liabilities $'000	Impact on Net liabilities %
Assumed loss ratio for Bornhuetter Ferguson method and Unexpired Risk reserve	+20%	**85,727**	**13%**	76,770	13%
	-20%	**(85,727)**	**-13%**	(76,770)	-13%

(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 allocation 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(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.

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 the reporting 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.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(a) Equity price risk (continued)

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

	Impact on net operating surplus and equity	
	2015 $'000	2014 $'000
MSCI Singapore		
+11% (2014: +11%)	**201,445**	206,657
-11% (2014: -11%)	**(201,445)**	(206,657)
MSCI Asia ex Japan		
+11% (2014: +11%)	**133,512**	164,079
-11% (2014: -11%)	**(133,512)**	(164,079)
MSCI Global Equities		
+9% (2014: +9%)	**111,808**	92,355
-9% (2014: -9%)	**(111,808)**	(92,355)

(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 Par 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk (continued)

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 100bps 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 and equity based on a 100bps parallel shift in the yield curves:

	Impact on net operating surplus and equity	
	2015 $'000	**2014 $'000**
Parallel shift in yield curves		
+100 bps	**(1,199,849)**	(1,124,036)
-100 bps	**1,366,519**	1,263,562

(c) Foreign currency risk

The Group operates mainly in Singapore, with over 99% (2014: 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:

2015 Assets	**USD $'000**	**EUR $'000**	**HKD $'000**	**KRW $'000**	**Others $'000**
Investments					
– Equities	**383,421**	**91,727**	**471,436**	**217,580**	**659,426**
– Debt securities	**4,184,179**	**193,791**	**–**	**1,536**	**112,102**
– Funds	**1,542,297**	**431,795**	**7,729**	**–**	**73,606**
– Investment debtors	**7,098**	**–**	**4**	**12**	**192**
Cash and cash equivalents	**148,123**	**2,607**	**831**	**–**	**18,036**
Liabilities					
– Investment creditors	**(2,175)**	**(334)**	**–**	**–**	**–**
Total	**6,262,943**	**719,586**	**480,000**	**219,128**	**863,362**
Less:					
Derivative contracts (net currency exposure)	**(4,248,829)**	**(800,197)**	**(340,837)**	**(230,887)**	**(1,012,725)**
Net foreign currency risk exposure	**2,014,114**	**(80,611)**	**139,163**	**(11,759)**	**(149,363)**

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

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

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% (2014: ±2%) change in the relevant currency risk to be reasonably possible at the reporting date.

Sensitivity for changes in risk variable that was reasonably possible is as follows.

		Impact on net operating surplus and equity	
Currency		**2015** **$'000**	**2014** **$'000**
EUR	**2% strengthening** (2014: 2%)	**(1,612)**	166
	2% weakening (2014: 2%)	**1,612**	(166)
USD	**2% strengthening** (2014: 2%)	**40,282**	2,222
	2% weakening (2014: 2%)	**(40,282)**	(2,222)
HKD	**2% strengthening** (2014: 2%)	**2,783**	(55)
	2% weakening (2014: 2%)	**(2,783)**	55
KRW	**2% strengthening** (2014: 2%)	**(235)**	(215)
	2% weakening (2014: 2%)	**235**	215

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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 2015 is nil (2014: nil).

The consumer loan portfolio as at 31 December 2015 amounts to $30 million (2014: $33 million). This is made up of secured and unsecured loans of which about 98% (2014: 98%) 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 2015

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:

2015

		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	**21,346,228**	**–**	**–**	**–**	**21,346,228**	**–**
Loans	**693,335**	**5**	**12**	**1,027**	**694,379**	**338**
Derivatives with positive fair values	**25,762**	**–**	**–**	**–**	**25,762**	**–**
Reinsurers' share of insurance contract provisions	**35,642**	**–**	**–**	**–**	**35,642**	**–**
Insurance and other receivables	**198,095**	**74,955**	**4,577**	**740**	**278,367**	**1,623**
Cash and cash equivalents	**843,578**	**–**	**–**	**–**	**843,578**	**–**

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	–

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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:

2015	Investment Grade (AAA to BBB-) $'000	Below Investment Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Debt securities	**16,120,745**	**123,520**	**5,101,963**	**21,346,228**
Loans	**–**	**–**	**694,379**	**694,379**
Cash and cash equivalents	**843,578**	**–**	**–**	**843,578**
Derivatives with positive fair values	**–**	**–**	**25,762**	**25,762**

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

The carrying amount of assets included on the statement of financial position 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 2015

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

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

The table in the next page shows the gross liability including both guaranteed and non-guaranteed benefits (before reinsurance) as at 31 December 2015 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 reporting date. The liability will be the surrender value required if all investment contract policyholders surrender at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(iii) Liquidity risk (continued)

2015	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Long-Term business					
– Insurance contracts	**(27,479,992)**	**(3,416,267)**	**(3,662,388)**	**(6,894,457)**	**(13,506,880)**
– Investment contracts	**(17,481)**	**(3,917)**	**(13,564)**	**–**	**–**
Total	**(27,497,473)**	**(3,420,184)**	**(3,675,952)**	**(6,894,457)**	**(13,506,880)**

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)

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

2015	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Derivative financial instruments	**(222,694)**	**(72,270)**	**(84,453)**	**(65,662)**	**(309)**
Insurance and other payables	**(1,048,446)**	**(1,005,322)**	**(39,144)**	**(3,736)**	**(244)**
Borrowings (include interest)	**(1,172,954)**	**(29,025)**	**(507,989)**	**(635,940)**	**–**

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)	–

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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 statement of financial position and in Note 11 and Note 14 to the financial statements, except for the following:

2015	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	**1,354,908**	**130,457**	**55,750**	**101,836**	**173,373**	**1,816,324**
Financial Liabilities	**1,047,503**	**122,295**	**16,566**	**198,462**	**680,985**	**2,065,811**

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

(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 2015 comprised Available Capital of $8.26 billion, Risk Capital of $3.15 billion and Capital Adequacy Ratio of 263%. The amounts as at 31 December 2014 were: Available Capital $8.40 billion, Risk Capital $2.94 billion and Capital Adequacy Ratio of 285%.

(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 2015

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments designated at fair value through profit or loss				
– Equities	**3,856,039**	**387**	**–**	**3,856,426**
– Funds	**1,440,824**	**–**	**–**	**1,440,824**
– Debt securities	**20,545,813**	**179,827**	**16,289**	**20,741,929**
Available-for-sale investments				
– Equities	**96,740**	**–**	**41,874**	**138,614**
– Funds	**54,546**	**–**	**1,395,294**	**1,449,840**
– Debt securities	**581,720**	**22,579**	**–**	**604,299**
	26,575,682	**202,793**	**1,453,457**	**28,231,932**
– Derivative financial instruments	**–**	**25,762**	**–**	**25,762**
	26,575,682	**228,555**	**1,453,457**	**28,257,694**
Liabilities				
– Derivative financial instruments	**–**	**(238,314)**	**–**	**(238,314)**

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)

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 reporting 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 2015

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 reporting 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 reporting 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**		
2015	**Debt securities $'000**	**Unquoted funds $'000**	**Unquoted equities $'000**	**Total $'000**
Opening balance	**37,841**	**1,178,759**	**41,359**	**1,257,959**
Sales of level 3 securities	**(27,978)**	**(308,888)**	**(1,891)**	**(338,757)**
Purchases of level 3 securities	**–**	**390,858**	**–**	**390,858**
Revaluation reserve	**–**	**56,072**	**2,155**	**58,227**
Gains and losses recognised in profit or loss	**6,426**	**78,493**	**251**	**85,170**
Closing balance	**16,289**	**1,395,294**	**41,874**	**1,453,457**

During the financial year ended 31 December 2015, there was 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**		
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

During the financial year ended 31 December 2014, there was 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 2015

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:

2015	Fair value $'000	Classification	Valuation technique	Unobservable Input
Assets				
Debt securities	**16,289**	**FVPL[(a)]**	**Discounted cash flows**	**Default / recovery / prepay / liquidity assumptions**
Unquoted funds	**1,395,294**	**AFS[(b)]**	**Net Asset Value**	**Net asset value of investment vehicles**
Unquoted equities	**41,874**	**AFS[(b)]**	**Net Asset Value**	**Net asset value of investment entities**
Total	**1,453,457**			

(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 2015, adjusted for the net cash flows movement from 1 October 2015 till 31 December 2015. If a premium of 0.8% (2014: 3%) had been applied, the impact on the valuation would have been $11.16 million (2014: $35.56 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 7% (2014: 5%) has been applied, the impact on the valuation would have been $2.93 million (2014: $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 2015

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Investment properties

Life Insurance Par Fund

Completed investment properties	2015 $'000	2014 $'000
At 1 January	**1,632,098**	1,278,701
Reclassified from / (to) investment property under development	–	325,000
Additions	**1,520**	–
Disposals	–	(215)
Change in net fair value recognised in profit or loss	**64,911**	28,612
At 31 December	**1,698,529**	1,632,098

Investment property under development	2015 $'000	2014 $'000
At 1 January	–	260,000
Reclassified (to) / from completed investment properties	–	(325,000)
Additions	–	43,588
Change in net fair value recognised in profit or loss	–	21,412
At 31 December	–	–

Total	2015 $'000	2014 $'000
At 1 January	**1,632,098**	1,538,701
Additions	**1,520**	43,588
Disposals	–	(215)
Change in net fair value recognised in profit or loss	**64,911**	50,024
At 31 December	**1,698,529**	1,632,098

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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 2015 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	–	–	**1,698,529**
Total investment properties	–	–	**1,698,529**

During the financial year ended 31 December 2015, there was 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 2015 ($'000)	Valuation techniques	Unobservable inputs[1]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Investment properties	1,698,529	Income Capitalisation Approach	Estimated rental rate	Retail: $6 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 6.75%	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	6.5% to 7.5%	The higher the discount rate, the lower the fair value.
		Direct Comparison Approach	Valuation per square foot	Retail: $1,537 to $7,560 per square foot Office / Industrial: $319 to $3,490 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.

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 2015

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:

2015	Life Insurance Par Fund		General Insurance Fund		Interest rate used
	Carrying Value $'000	Fair Value $'000	Carrying Value $'000	Fair Value $'000	
Term loans	–	–	–	–	–
Consumer loans	29,655	24,315	–	–	3.65%
Total	**29,655**	**24,315**	–	–	

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	

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:

2015	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	10,887	9,415	17,109	15,950	–	–	3.65%
Investments and other payables	15,038	13,784	–	–	90	82	3.65%
Total	**25,925**	**23,199**	**17,109**	**15,950**	**90**	**82**	

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	–	–	

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

5. PROPERTY, PLANT AND EQUIPMENT

Life Insurance Par Fund

	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
2015					
Cost					
At 1 January 2015	**1,537**	**19,543**	**15,200**	**936**	**37,216**
Additions	**48**	**877**	**1,248**	**153**	**2,326**
Disposals	**(20)**	**(645)**	**(515)**	**(132)**	**(1,312)**
At 31 December 2015	**1,565**	**19,775**	**15,933**	**957**	**38,230**
Accumulated depreciation					
At 1 January 2015	**1,274**	**15,514**	**10,029**	**654**	**27,471**
Charge for the year	**102**	**1,760**	**1,584**	**126**	**3,572**
Disposals	**(20)**	**(598)**	**(515)**	**(130)**	**(1,263)**
At 31 December 2015	**1,356**	**16,676**	**11,098**	**650**	**29,780**
Carrying amount					
At 31 December 2015	**209**	**3,099**	**4,835**	**307**	**8,450**

	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
Carrying amount					
At 31 December 2014	263	4,029	5,171	282	9,745

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 2015

6. INTANGIBLE ASSETS

	2015 $'000	2014 $'000
Life Insurance Par Fund		
Cost		
At 1 January	**85,867**	77,088
Additions	**10,499**	8,839
Disposals	**–**	(60)
At 31 December	**96,366**	85,867
Accumulated amortisation		
At 1 January	**55,230**	44,167
Charge for the year	**11,043**	11,067
Disposals	**–**	(3)
At 31 December	**66,273**	55,231
Carrying amount at 31 December	**30,093**	30,636

	2015 $'000	2014 $'000
Life Insurance Non-Par Fund		
Cost		
At 1 January	**14,194**	14,097
Additions	**153**	97
At 31 December	**14,347**	14,194
Accumulated amortisation		
At 1 January	**7,024**	4,185
Charge for the year	**2,851**	2,839
At 31 December	**9,875**	7,024
Carrying amount at 31 December	**4,472**	7,170

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 2015

7. INVESTMENT PROPERTIES

	2015 $'000	2014 $'000
Life Insurance Par Fund		
At 1 January	**1,632,098**	1,538,701
Additions	**1,520**	43,373
Change in net fair value recognised in profit or loss	**64,911**	50,024
At 31 December	**1,698,529**	1,632,098

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

All properties are held as investment properties within the Life Insurance Par Fund for investment purposes (rental yields and / or capital appreciation). Any change in value of the properties would accrue mainly to the participating policyholders. One of the investment properties, with carrying amount of $699,800,000 (2014: $681,200,000) 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.

	2015 $'000	2014 $'000
Rental income	**91,502**	59,724
Direct operating expenses arising from investment properties that generated rental income	**(27,588)**	(21,206)

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 2015 are as follows:

Name	Principal activities	Interest held by Co-operative 2015 %	Interest held by Co-operative 2014 %
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 2015

9. INVESTMENT IN JOINT VENTURE COMPANY

	2015 $'000	2014 $'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 2015, 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	
			2015 %	2014 %
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 financial position

	Street Square Pte Ltd As at 30 September	
	2015 $'000	2014 $'000
Current assets	**17,777**	32,262
Cash and cash equivalents	**14,004**	25,528
Current liabilities	**(174,346)**	(168,694)
Financial liabilities (excluding trade payables)	**(173,461)**	(167,631)
Other current liabilities (including trade payables)	**(885)**	(1,063)
Non-current assets	**979,668**	937,000
Non-current liabilities	**(609,468)**	(611,490)
Financial liabilities	**(605,224)**	(603,554)
Other liabilities	**(4,244)**	(7,936)
Net assets	**213,631**	189,078

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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	
	2015 $'000	**2014 $'000**
Revenue	**44,845**	45,168
Interest income	**52**	26
Expenses		
Includes:		
– Interest expense	**(23,746)**	(27,479)
Profit from continuing operations	**50,400**	7,631
Income tax expense	**(1,847)**	(1,219)
Post-tax profit from continuing operations	**48,553**	6,412
Total comprehensive income	**48,553**	6,412
Dividends paid / declared	**(24,000)**	(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	
	2015 $'000	**2014 $'000**
Net assets		
At 1 October 2014 / 2013	**189,078**	187,666
Profit / (Loss) for the year	**48,553**	6,412
Dividends paid / declared	**(24,000)**	(5,000)
At 30 September 2015 / 2014	**213,631**	189,078
Interest in joint venture	106,816	94,539
Carrying value	**106,816**	94,539

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

10. INVESTMENT IN ASSOCIATED COMPANIES

	2015 $'000	2014 $'000
Life Insurance Par Fund		
Equity investment at cost	**236,367**	236,367

Set out below are the associated companies of the Group as at 31 December 2015. 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	
			2015 %	2014 %
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	**49**	49

(a) Financial year ends on 31 December

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.

Summarised financial information for associated companies

Set out in the next page 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Summarised financial position

	Parkway Parade Partnership As at 30 November	
	2015 $'000	**2014 $'000**
Current assets	**24,400**	25,700
Cash and cash equivalents	**18,700**	20,800
Current liabilities	**(43,600)**	(42,700)
Financial liabilities (excluding trade payables)	**(32,400)**	(32,600)
Other current liabilities (including trade payables)	**(11,200)**	(10,100)
Non-current assets	**1,200,062**	1,176,300
Non-current liabilities	**(457,800)**	(456,500)
Financial liabilities	**(457,800)**	(456,500)
Net assets	**723,062**	702,800

Summarised statement of comprehensive income

	Parkway Parade Partnership For the period from 1 October to 30 November	
	2015 $'000	**2014 $'000**
Revenue	**98,117**	104,700
Expenses		
Includes:		
– Interest expense	**(6,942)**	(7,098)
Profit from continuing operations	**74,559**	91,644
Income tax expense	**(8,198)**	(9,009)
Post-tax profit from continuing operations	**66,361**	82,635
Other comprehensive (loss) / income	**–**	–
Total comprehensive income	**66,361**	82,635
Dividends paid / declared	**(46,099)**	(50,335)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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	
	2015 $'000	**2014 $'000**
Net Assets		
At 1 October 2014 / 2013	**702,800**	670,500
Profit for the year	**66,361**	82,635
Dividends paid / declared	**(46,099)**	(50,335)
At 1 November 2015 / September 2014	**723,062**	702,800
Interest in associated company	**351,047**	320,207
Additional 3% interest during the year	**–**	21,003
Carrying value	**351,047**	341,210
Add:		
Carrying value of individually immaterial associated companies	**1,981**	2,003
Carrying value of the Group's interest in associated companies	**353,028**	343,213

	2015 $'000	**2014 $'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 2015, 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	
			2015 %	**2014 %**
NTUC Choice Homes Co-operative Ltd[(a)]	Singapore	Property development	**25**	25

(a) Financial year ends on 31 December

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

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 financial information

	NTUC Choice Homes Co-operative Ltd As at 30 September	
	2015 $'000	**2014 $'000**
Current assets	**44,123**	207,775
Cash and cash equivalents	**40,130**	105,460
Current liabilities	**(12,294)**	(82,030)
Financial liabilities (excluding trade payables)	**(3,050)**	(271)
Other current liabilities (including trade payables)	**(9,244)**	(81,759)
Non-current assets	**437,271**	399,546
Non-current liabilities	**(1,739)**	(11,493)
Other liabilities	**(1,739)**	(11,493)
Adjustments made to align with Group accounting policies	**(4,464)**	(14,885)
Net assets	**462,897**	498,913

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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	
	2015 $'000	2014 $'000
Revenue	**10,730**	237,811
Profit from continuing operations	**10,437**	44,236
Income tax credit / (expense)	**(8,326)**	1,462
Adjustments made to align with Group accounting policies	**(12,110)**	(14,885)
Post-tax profit from continuing operations	**(9,999)**	30,813
Other comprehensive income	**–**	–
Total comprehensive income	**(9,999)**	30,813
Dividends paid / declared	**(3,928)**	(27,928)

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	
	2015 $'000	2014 $'000
Net assets		
At 1 October 2014 / 2013	**498,913**	496,028
Profit for the year	**(9,999)**	30,813
Other comprehensive income	**–**	–
Dividends paid / declared	**(3,928)**	(27,928)
Others	**(22,089)**	–
At 30 September 2015 / 2014	**462,897**	498,913
Interest in associated company	**117,854**	127,009
Carrying value	**117,854**	127,009

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

11. OTHER FINANCIAL ASSETS

	2015					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	3,071,806	–	559,896	186,512	38,212	3,856,426
Funds	767,580	–	545,342	108,748	19,154	1,440,824
Debt securities	16,361,064	2,837,133	419,666	1,089,265	34,801	20,741,929
Total investments designated at fair value through profit or loss	20,200,450	2,837,133	1,524,904	1,384,525	92,167	26,039,179
Available-for-sale investments						
Quoted						
Equities	–	–	–	–	96,740	96,740
Funds	–	–	–	–	54,546	54,546
Debt securities	–	–	–	–	604,299	604,299
Unquoted						
Equities	38,563	–	–	–	3,311	41,874
Funds	1,319,447	–	–	–	75,847	1,395,294
Total available-for-sale investments	1,358,010	–	–	–	834,743	2,192,753
Total investments	21,558,460	2,837,133	1,524,904	1,384,525	926,910	28,231,932
Debt Securities						
To be settled within 12 months	2,123,289	100,446	27,560	535,959	108,198	2,895,452
To be settled after 12 months	14,237,775	2,736,687	392,106	553,306	530,902	18,450,776
	16,361,064	2,837,133	419,666	1,089,265	639,100	21,346,228
Equities and Funds						
No maturity date	5,197,396	–	1,105,238	295,260	287,810	6,885,704
Total	21,558,460	2,837,133	1,524,904	1,384,525	926,910	28,231,932

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

11. OTHER FINANCIAL ASSETS (CONTINUED)

	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

Of the total debt securities, 91% (2014: 91%) represents investments in fixed rate instruments.

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 2015

12. INVESTMENT IN FUNDS (CONTINUED)

2015	% of the Investment in Funds	Fair Value $'000
Industry focus		
Diversified Financials	**69%**	**1,973,153**
Energy	**1%**	**36,881**
Real Estate	**29%**	**838,185**
Telecommunication Services	**0%**	**3,455**
Industrials	**1%**	**38,990**
	100%	**2,890,664**
Geographic region		
Asia Pacific	**27%**	**791,232**
Australia	**2%**	**55,887**
Europe	**18%**	**508,686**
North America	**37%**	**1,058,322**
Others	**16%**	**476,537**
	100%	**2,890,664**

2014	% of the Investment in Funds	Fair 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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

13. LOANS

	2015					
	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	**81,251**	**–**	**–**	**–**	**–**	**81,251**
Consumer loans	**29,914**	**–**	**–**	**79**	**–**	**29,993**
Loans on policies	**583,473**	**–**	**–**	**–**	**–**	**583,473**
Impairment loss	**(259)**	**–**	**–**	**(79)**	**–**	**(338)**
	694,379	**–**	**–**	**–**	**–**	**694,379**
To be settled within 12 months	**675,763**	**–**	**–**	**–**	**–**	**675,763**
To be settled after 12 months	**18,616**	**–**	**–**	**–**	**–**	**18,616**
	694,379	**–**	**–**	**–**	**–**	**694,379**

	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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

13. LOANS (CONTINUED)

Interest bearing loan to a joint venture company

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

	2015				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	**81,251**	**7.00**	**5,688**	**On demand**	**Unsecured**

	2014				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	81,251	7.00	5,688	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
2015						
At 1 January	**311**	**–**	**–**	**120**	**–**	**431**
Allowance written back during the year	**(52)**	**–**	**–**	**(41)**	**–**	**(93)**
At 31 December	**259**	**–**	**–**	**79**	**–**	**338**
2014						
At 1 January	401	–	–	139	–	540
Allowance written back during the year	(90)	–	–	(19)	–	(109)
At 31 December	311	–	–	120	–	431

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2015			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	5,379,693	16,598	38,180	(21,582)
Interest rate swaps	530,514	2,896	2,988	(92)
Futures	386,842	1,161	1,141	20
Cross currency swaps	1,090,822	53	173,964	(173,911)
	7,387,871	20,708	216,273	(195,565)
Life Insurance Non-Par Fund				
Forward foreign exchange	431,703	395	4,635	(4,240)
Investment Linked Fund				
Forward foreign exchange	364,556	1,124	2,767	(1,643)
Interest rate swaps	63,945	432	242	190
Futures	739	5	–	5
Cross currency swaps	2,749	–	122	(122)
	431,989	1,561	3,131	(1,570)
General Insurance Fund				
Forward foreign exchange	396,331	977	8,477	(7,500)
Shareholders' Fund				
Forward foreign exchange	419,390	1,906	3,077	(1,171)
Futures	58,123	215	176	39
Cross currency swaps	26,793	–	2,545	(2,545)
	504,306	2,121	5,798	(3,677)
Total	9,152,200	25,762	238,314	(212,552)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	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)

At the reporting date, all derivative financial instruments balances are current, as they are classified as 'held for trading' in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*.

The Co-operative enters into master netting arrangements with counterparties. The credit risk associated with favourable contracts is reduced by the master netting arrangement to the extent that if an event of default occurs, all amounts with the counterparty are settled on a net basis.

Master netting arrangements do not meet the criteria for offsetting of financial assets and liabilities on the statement of financial position, as the legal right to set off the transactions is conditional upon default.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	2015					
				Related amounts not set-off in the statement of financial position		
	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $'000	Net amounts of financial assets presented in the statement of financial position $'000	Financial Instruments $'000	Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	19,547	–	19.547	–	1,244	18,303
Life Insurance Non-Par Fund						
Derivatives	395	–	395	–	–	395
Investment Linked Fund						
Derivatives	1,556	–	1,556	422	–	1,134
General Insurance Fund						
Derivatives	977	–	977	–	–	977
Shareholders' Fund						
Derivatives	1,906	–	1,906	–	–	1,906

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

	2015					
				Related amounts not set-off in the statement of financial position		
	Gross amounts of recognised financial liabilities $'000	Gross amounts of recognised financial assets set-off in the statement of financial position $'000	Net amounts of financial liabilities presented in the statement of financial position $'000	Financial Instruments $'000	Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	215,132	–	215,132	126,720	752	87,660
Life Insurance Non-Par Fund						
Derivatives	4,635	–	4,635	–	–	4,635
Investment Linked Fund						
Derivatives	3,131	–	3,131	573	756	1,802
General Insurance Fund						
Derivatives	8,477	–	8,477	1,138	–	7,339
Shareholders' Fund						
Derivatives	5,622	–	5,622	–	2,372	3,250

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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 statement of financial position		
	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $'000	Net amounts of financial assets presented in the statement of financial position $'000	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 statement of financial position		
	Gross amounts of recognised financial liabilities $'000	Gross amounts of recognised financial assets set-off in the statement of financial position $'000	Net amounts of financial liabilities presented in the statement of financial position $'000	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 2015

15. INSURANCE CONTRACT PROVISIONS

	2015				
	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	–	88,683	–	509,531	598,214
Provision for unexpired risks	–	153,870	–	161,635	315,505
Provision for future non-participating benefits	387,746	1,535,635	195	–	1,923,576
Provision for future participating benefits					
– Guaranteed benefits	11,454,225	–	–	–	11,454,225
– Non-guaranteed benefits	11,634,992	–	–	–	11,634,992
Provision for investment linked contracts	–	–	1,553,480	–	1,553,480
Total insurance contract provisions, gross	23,476,963	1,778,188	1,553,675	671,166	27,479,992
Reinsurance					
Provision for claims and loss adjustment expenses	–	–	–	32,954	32,954
Provision for unexpired risks	–	–	–	2,688	2,688
Total reinsurers' share of insurance contract provisions	–	–	–	35,642	35,642
Net					
Provision for claims and loss adjustment expenses	–	88,683	–	476,577	565,260
Provision for unexpired risks	–	153,870	–	158,947	312,817
Provision for future non-participating benefits	387,746	1,535,635	195	–	1,923,576
Provision for future benefits					
– Guaranteed benefits	11,454,225	–	–	–	11,454,225
– Non-guaranteed benefits	11,634,992	–	–	–	11,634,992
Provision for investment linked contracts	–	–	1,553,480	–	1,553,480
Total insurance contract provisions, net	23,476,963	1,778,188	1,553,675	635,524	27,444,350

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

	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 2015

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions
Life Insurance Par Fund
Provision for future participating / non-participating benefits

	2015 $'000	2014 $'000
At 1 January	**24,090,177**	23,952,479
Premium Received	**1,557,303**	1,479,846
Income:		
– Investment Income	**331,519**	1,179,269
– Other Income	**11,908**	17,083
Claims and Surrenders	**(2,411,946)**	(2,468,819)
Expenses	**(164,211)**	(146,353)
Other movements	**71,449**	85,643
Transfer to Shareholders' Fund	**(9,236)**	(8,971)
At 31 December	**23,476,963**	24,090,177

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2015 $'000	2014 $'000
At 1 January	**144,522**	162,243
Increase / (decrease) in insurance provision for unexpired risk	**9,348**	(17,721)
At 31 December	**153,870**	144,522

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

	2015 $'000	2014 $'000
At 1 January	**1,468,219**	1,319,088
Increase / (decrease) in Provision for claims	**17,119**	(84)
Increase in insurance contract provision		
– Business Movements	**119,770**	88,380
Change in Valuation Basis		
– Discount Rate	**24,555**	16,777
– Assumption and other changes	**(5,345)**	44,058
At 31 December	**1,624,318**	1,468,219
At 31 December (a) + (b)	**1,778,188**	1,612,741

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions (continued)

Investment Linked Fund

(a) Provision for investment linked contracts (unit reserves)

	2015 $'000	2014 $'000
At 1 January	**1,480,573**	1,347,180
Premiums	**276,738**	261,226
Income	**(5,687)**	98,613
Claims and Surrenders	**(190,271)**	(220,221)
Expenses	**(7,873)**	(6,225)
Other Movements	**–**	–
At 31 December	**1,553,480**	1,480,573

(b) Provision for investment linked contracts (non-unit reserves)

	2015 $'000	2014 $'000
At 1 January	**–**	–
Increase in insurance contract provision		
– Business Movements	**–**	–
Change in Valuation Basis		
– Discount Rate	**–**	–
– Assumption and other changes	**195**	–
At 31 December	**195**	–
At 31 December (a) + (b)	**1,553,675**	1,480,573

General Insurance Fund

(a) Provision for unexpired risk

	2015 $'000	2014 $'000
At 1 January	**155,930**	165,809
Increase / (decrease) in insurance provision for unexpired risk	**3,017**	(9,879)
At 31 December	**158,947**	155,930

(b) Provision for claims and loss adjustment expenses

	2015 $'000	2014 $'000
At 1 January	**452,557**	499,257
Increase / (decrease) in insurance provision for claims and loss adjustment expenses	**24,020**	(46,700)
At 31 December	**476,577**	452,557
At 31 December (a) + (b)	**635,524**	608,487

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

16. INSURANCE AND OTHER RECEIVABLES

	2015					
	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	**50,564**	**11,982**	**–**	**17,972**	**–**	**80,518**
Accrued interest receivable	**2,394**	**–**	**24**	**40**	**–**	**2,458**
Investment receivables	**13,281**	**10,448**	**11,263**	**768**	**23,764**	**59,524**
Trade receivables	**–**	**–**	**–**	**1,063**	**65**	**1,128**
Other receivables	**8,593**	**168**	**4**	**351**	**1,305**	**10,421**
Interfund balances	**23,347**	**4**	**590**	**2**	**101,998**	**125,941**
	98,179	**22,602**	**11,881**	**20,196**	**127,132**	**279,990**
Less: Allowance for impairment losses	**(249)**	**(526)**	**–**	**(848)**	**–**	**(1,623)**
	97,930	**22,076**	**11,881**	**19,348**	**127,132**	**278,367**

	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

At the reporting 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 2015

16. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

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

	2015					
	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	–	144	–	609	–	753
Impairment loss during the year	249	382	–	246	–	877
Allowance written back / utilised during the year	–	–	–	(7)	–	(7)
At 31 December	249	526	–	848	–	1,623

	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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

17. CASH AND CASH EQUIVALENTS

2015

	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	**187,250**	**–**	**16,101**	**20,014**	**5,000**	**228,365**
Cash and bank balances	**375,349**	**108,381**	**27,768**	**62,474**	**41,241**	**615,213**
	562,599	**108,381**	**43,869**	**82,488**	**46,241**	**843,578**

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

18. BORROWINGS

Life Insurance Par Fund

Description	Issue Date	Maturity Date	2015 $'000	2014 $'000
Bank borrowing	17 January 2014	17 January 2017	**418,342**	416,752

The bank borrowing of $420,000,000 (2014: $420,000,000) 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. The effective interest rate at reporting date is 1.68% (2014: 1.05%) per annum and the interest rates are re-priced every three months to the SGD-SOR rates.

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	2015 $'000	2014 $'000
$600 million 3.65% subordinated notes	23 August 2012	23 August 2027	**599,023**	598,895

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 the reporting date, the fair value of the subordinated debt is $617,940,000 (2014: $615,360,000).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

19. INSURANCE AND OTHER PAYABLES

	2015					
	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	**28,043**	**46,586**	**–**	**1,795**	**–**	**76,424**
Insurance and reinsurance payables	**179,189**	**12,098**	**410**	**13,525**	**43**	**205,265**
Investments and other payables	**412,473**	**42,099**	**16,156**	**89,269**	**61,608**	**621,605**
Contribution to Singapore Labour Foundation	**–**	**–**	**–**	**–**	**19,186**	**19,186**
Contribution to Central Co-operative Fund	**–**	**–**	**–**	**–**	**25**	**25**
Interfund balances	**9,456**	**21,512**	**–**	**93,873**	**1,100**	**125,941**
	629,161	**122,295**	**16,566**	**198,462**	**81,962**	**1,048,446**
To be settled within 12 months	**603,236**	**105,186**	**16,566**	**198,372**	**81,962**	**1,005,322**
To be settled after 12 months	**25,925**	**17,109**	**–**	**90**	**–**	**43,124**
	629,161	**122,295**	**16,566**	**198,462**	**81,962**	**1,048,446**

	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

At the reporting 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 2015

20. SHARE CAPITAL

	2015	2014	2015	2014
	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	**43,954,093**	43,942,996	**439,541**	439,430
Issue of shares	**20,152,154**	163,145	**201,522**	1,631
Redemption of shares	**(227,617)**	(152,048)	**(2,276)**	(1,520)
At 31 December	**63,878,630**	43,954,093	**638,787**	439,541

	2015	2014	2015	2014
	Number of shares		$'000	$'000
Issue of shares				
Shares issued to employees for long service award	**19,190**	17,010	**192**	170
Shares issued for cash in respect of new subscriptions	**20,132,964**	146,135	**201,330**	1,461
	20,152,154	163,145	**201,522**	1,631

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

Members and their rights
Membership 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 and in accordance with the By-Laws of the Society.

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 votes 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 statement of financial position prepared by the Co-operative.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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 for any period during which no dividend or patronage refund was in fact paid.

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(2) (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 statement of financial position. The redemption rights of the Members and the requirements of FRS 32 *Financial Instruments: Presentation* are described in Note 2(s) of significant accounting policies.

21. RESERVES FOR FUTURE DISTRIBUTION

The Group has designated an amount of $410,188,000 (2014: $681,729,000) 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

2015	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	**657**	**–**	**–**	**3,129**	**–**	**3,786**
Management and other fees	**11,384**	**–**	**–**	**–**	**53**	**11,437**
	12,041	**–**	**–**	**3,129**	**53**	**15,223**

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

	2015					
	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	2,151	97	141	325	302	3,016
– loans	38,163	–	–	3	–	38,166
	40,314	97	141	328	302	41,182
Dividend income	178,280	–	30,514	7,015	11,197	227,006
Net rental income:						
– rental income	91,502	–	–	–	–	91,502
Less: Investment properties maintenance	(27,588)	–	–	–	–	(27,588)
	63,914	–	–	–	–	63,914
Realised gain on sale of AFS investments	113,253	–	–	–	2,525	115,778
Gain / (loss) on changes in fair value of:						
– investments designated as fair value through profit / loss	282,769	62,962	(18,619)	16,900	22,948	366,960
– derivatives	(305,568)	(21,891)	(5,008)	(20,137)	(12,969)	(365,573)
– investment properties	64,911	–	–	–	–	64,911
	42,112	41,071	(23,627)	(3,237)	9,979	66,298
Less:						
Investment expenses	(36,244)	(1,640)	(12,176)	(1,142)	(1,953)	(53,155)
Allowance for impairment written back / (made) on:						
– loans	52	–	–	41	–	93
– available-for-sale investments	(34,757)	–	–	–	(87)	(34,844)
	(34,705)	–	–	41	(87)	(34,751)
Loans written back / (written off)	304	–	–	(21)	–	283
Others	781	(374)	4	314	870	1,595
Net investment income and fair value gains	368,009	39,154	(5,144)	3,298	22,833	428,150

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

	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
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 / (losses) and fair value gains / (losses)	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 2015

24. MANAGEMENT EXPENSES

The following items are included in management expenses:

	The Group	
	2015 $'000	2014 $'000
Staff costs		
– Salaries, commission, bonuses and staff benefits	**101,149**	93,386
– Employer's contribution to defined contribution plan	**11,215**	10,039
Advertising and promotion	**14,389**	7,867
Depreciation and amortisation	**16,431**	16,160
Printing, postage and stationery	**4,524**	4,565
Rental	**8,417**	7,844

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 to, directly or indirectly, 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	
	2015 $'000	2014 $'000
Insurance related transactions with		
– Parent	**14**	18
– Subsidiaries	**81**	159
– Associated companies	**27**	13
– Other related parties	**1,309**	251
	1,431	441

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2015 $'000	**2014 $'000**
Investment related transactions with		
– Parent	**–**	–
– Subsidiaries	**–**	–
– Joint ventures	**15,303**	111,822
– Associated companies	**23,285**	–
– Other related parties	**7,743**	1,944
	46,331	113,766
Purchases of goods / rental / management of investment properties with		
– Parent	**(29)**	(203)
– Subsidiaries	**(325)**	(253)
– Associated companies	**(1,374)**	(1,108)
– Other related parties	**(1,816)**	(1,748)
	(3,544)	(3,312)
Dividends to		
– Parent	**(9,544)**	(7,600)

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

(b) Key management personnel compensation

	The Group	
	2015 $'000	**2014 $'000**
Salaries and other benefits	**7,024**	7,396
Employer's contribution to defined contribution plan	**127**	106
Directors' fees	**551**	567
	7,702	8,069

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27. DIVIDENDS

	2015 $'000	2014 $'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 75 cents (2014: 60 cents)	**31,888**	25,506

The Directors have proposed a dividend of 60 cents per share (2014: 60 cents) and a special dividend of nil cents (2014: 15 cents) per share, amounting to $38,327,000 (2014: $32,966,000) to be paid in respect of the financial year ended 31 December 2015. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2016 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

	2015 $'000	2014 $'000
Accumulated surplus in other insurance funds	**1,310,869**	1,106,757
Accumulated surplus in shareholders' fund	**(94,603)**	(127,961)
Net surplus of shareholders' fund and other insurance funds	**1,216,266**	978,976
Available for distribution for members of the Group	**590,912**	499,381
Non-distributable amount	**625,354**	479,595

The non-distributable amount 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 reporting date but not recognised in the financial statements are as follows:

(a) Capital commitments

	The Group	
	2015 $'000	2014 $'000
Life Insurance Par Fund		
Outstanding investment commitments	**736,859**	752,111

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

The Group leases out retail, commercial and residential space from their investment properties 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 reporting date but not recognised as receivables, are as follows:

	The Group	
	2015 $'000	2014 $'000
Not later than one year	**81,527**	43,643
Between one and five years	**80,501**	89,631

(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 reporting date but not recognised as liabilities, are as follows:

	The Group	
	2015 $'000	2014 $'000
Not later than one year	**4,912**	4,950
Between one and five years	**13,965**	3,673

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

31. LEGAL SUIT

On 20 February 2014, four 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 20 August 2015, Chief Justice Sundaresh Menon of the Court of Appeal dismissed the Financial Consultants' appeal on the stay. All claims in the Suit is now to be referred for consultation.

32. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations on the financial statements.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2017 and 1 January 2018 respectively.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group. The Group does not plan to adopt these standards early.

33. COMPARATIVE INFORMATION

The previous year's financial statements were audited by another firm of Chartered Accountants in Singapore.

34. AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors at a meeting held on 23 March 2016 and authorised for release on 23 March 2016.

SHAREHOLDING

As at 31 December 2015

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

INSTITUTIONAL MEMBERS	Number of Shares
NTUC Enterprise Co-operative Limited	33,058,822
NTUC Income Insurance Co-operative Ltd	1,415,952
Singapore Mercantile Co-operative Society Ltd	214,035
AUPE Multi-Purpose Co-operative Ltd	138,255
Singapore Teachers' Co-operative Society Ltd	134,057
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
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	35,595,141 (55.72%)
ORDINARY MEMBERS	28,273,489 (44.26%)
TOTAL	63,878,630 (100%)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY given that the Forty-Sixth Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Thursday, 26 May 2016, at 5.30 pm at the Auditorium, Level 7, NTUC Centre, One Marina Boulevard, Singapore 018989.

AGENDA

1 To confirm the minutes of the 45th Annual General Meeting held on 29 May 2015.

2 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2015.

3 To consider the Appointed 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 2015.

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

7 To re-appoint KPMG LLP as external auditors of the Co-operative for the financial year ending 31 December 2016.

8 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
26 April 2016

NOTES

MCI (P) 150/04/2016

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