income

hand in hand

2018
ANNUAL
REPORT

CONTENT

hand in hand

NTUC Income ("Income") was made different from the start. Founded in 1970 to offer essential insurance to workers in Singapore, we have since grown alongside our customers, supporting their diverse financial and protection needs as they embark on different life stages in modern Singapore.

Today, Income is a top composite insurer in Singapore, providing life, health and general insurance. We continue to be customer-centric as we serve over two million customers with multiple channels and touch points. We aim to be a leading digital insurer in Singapore. This is because we understand that customers want choice, not only in product diversity to complement different life stages but also the flexibility to interact with us through their preferred choice of engagement, be it face to face via advisors or digitally.

As a thriving social enterprise, making a positive difference in the community that we serve remains our business imperative. We do this via three core areas leveraging our insurance business. We strive to deliver value to our customers by playing the role of a price moderator and offering value-added services, where we can. We also plug protection gaps with products for the elderly and the underserved, as well as, improve the circumstances of those in need through programmes that promote inclusive growth and sustainable development.

We will continue to chart our growth and overcome challenges, ***hand in hand***, with the changing needs of the people we serve as we remain steadfast as a social enterprise. This has been our way of doing business and to us, it is insurance made different.

Step by step

Income understands the needs of our customers and how their priorities change as they journey through different stage of their lives. Sound financial planning adapts to change as it stays relevant to long-term financial and protection goals.

We strive to bring value to our customers and remain an essential part of their lives, every step of the way, leveraging our diverse insurance offerings and value-added propositions.

With our life and health insurance plans, we offer our customers peace of mind knowing that their loved ones are protected financially should adverse circumstances hit. Through our savings and early retirement options, we help our customers achieve financial security and freedom. We are there when our customers start a family, set up their first home or drive off in a new car.

As our customers ease into the golden years, we continue to keep in step with needs as longer life expectancy comes with health and their aged-care issues. We recalibrated traditional underwriting requirements to keep insurance accessible to seniors in Singapore. At age 74, we offer the oldest entry age to cancer protection in the market. We also cover seniors for specific old-age chronic health conditions such as Parkinson's disease, dementia, Alzheimer's disease, rheumatoid arthritis and diabetic complications amongst others.

Step by step, our customers can count on Income to support their needs as they embark on their life's milestones.

Side by Side

At Income, we are intentional about plugging social gaps via our insurance business. This means we look to make a positive difference to the community we serve with our products, services and people.

We cater to the needs of the underserved and underprivileged amongst us. Today, we remain the only insurer in Singapore to offer children and youths with autism and Down syndrome insurance protection through our SpecialCare products. We offer a free micro-insurance and savings scheme to 32,000 low-income individuals so that their loved ones can receive tangible financial support should something unfortunate happen to them. We plug the protection gap of self-employed persons in Singapore with the Prolonged Medical Leave insurance plans, helping them mitigate income loss during long periods of illness, injury or hospitalisation. We were also the first to give cover to travellers with pre-existing health conditions.

Beyond products, Income donates 1% of its insurance operating profits to community development initiatives annually. Through the Income OrangeAid Future Development Programme, we support education for youth-in-need via bursaries, financial literacy training and career guidance. We also give back to the community through staff volunteering at our annual 'Income Gives Back' initiative.

As we make progress as a social enterprise, we continue to stay ***side by side*** with the people we serve, offering them support where we can.

Future Development Programme (FDP) Alumni Coach, Andrea Chong and FDP beneficiaries at the inaugural 'Income OrangeAid Future Speak' seminar.

strength to strength

As the lifestyle and needs of the society change in an increasingly digital economy, so must we. This is essential to ensure that we remain relevant to offer sustainable insurance to our customers.

We are building technological capabilities and embarking on innovation to reimagine insurance and the way we engage our customers. To bring speed to digitalisation and product innovation, we are leveraging strategic tie-ups with ecosystem partners to tap their technological know-how and experience to introduce more bespoke offerings to customers with greater operational and cost efficiency.

We were the first to make Integrated Shield Plan available online. Droplet is our "rainsurance" product that protects consumers against unpredictable surge pricing on ride-hailing platforms when it rains. Leveraging telematics technology, we enable customers to influence the motor premiums they pay through their driving behaviours.

As we embark on digitalisation, our advisors also move up the value curve in supporting customers in their financial goals as we empower them with digital tools so that our advisory capabilities complement and leverage technology of today.

Collectively, we are sharpening our multi-channel proposition, growing from ***strength to strength***, our agility to meet the changing needs of modern lifestyles. The opportunities are limitless as we set new ways to engage our customers.

Directors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

As a social enterprise, we give financial security to our customers and deliver positive social impact to our community. We help our customers to meet their protection, savings and investment needs. Increasingly, we are serving our customers digitally as we continue to enhance our customers' experience with us.

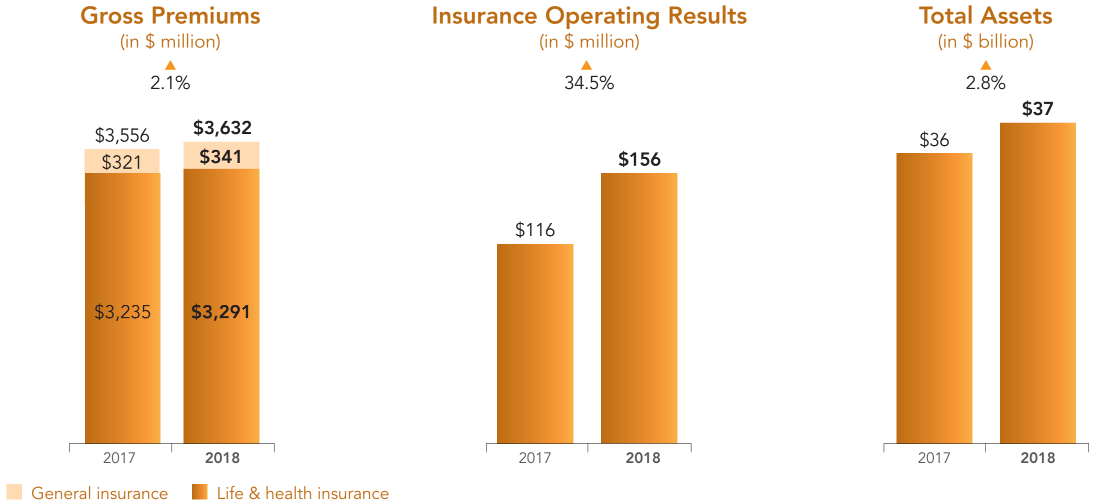
Being customer-focused has always been our anchor since we were incepted in 1970 to provide affordable insurance to workers in Singapore. Today, Income serves more than two million customers from all walks of life in Singapore.

2018 PERFORMANCE HIGHLIGHTS

In 2018, the life insurance industry in Singapore achieved a growth of 3.6% in weighted new business premiums. Income outperformed the industry with a growth of 10.2% despite a challenging operating environment and improved our market share compared to the year before. Similarly, we maintained our market leadership in general insurance and remained the top insurer in motor insurance.

Here are some key highlights of our business performance for the year ended 31 December 2018.

- Total gross premiums for 2018 was $3.6 billion;
- Insurance operating results rose 34.5% from $116 million in 2017 to $156 million in 2018; and
- Total assets reached $37 billion.



LIFE INSURANCE

In 2018, Income wrote $3.3 billion of total gross life and health insurance premiums, and weighted new business premiums recorded a strong growth at 10.2% year on year.

GENERAL INSURANCE

Overall, the general insurance business generated $341 million in earned premiums in 2018, which was 6.2% higher than the previous year.

Motor insurance remained the key contributor to the general insurance business, closing the year 5.7% higher than 2017 at $242 million. We were once again Singapore's top motor insurer as we grew our market share by premium to 21.7% and achieved market share of 26.8% in terms of vehicle count in 2018.

We also saw an upswing across our non-motor business as our commercial and personal lines of business recorded a 4.2% and 10.6% growth respectively compared to last year.

Above figures represent NTUC Income entity results.

SHAREHOLDERS

Taking into account the positive financial results for the year, the Directors have proposed a dividend of 6.0% for the financial year ended 31 December 2018.

OUR FINANCIAL STRENGTH AND CORPORATE GOVERNANCE

Our financial strength is reflected by our strong credit ratings of AA- by Standard & Poor's, which we have been holding since 2009. It underscores our strong competitive position and diversified business mix.

In 2018, Income maintained a healthy capital adequacy ratio of 273%.

We embrace and uphold the highest standards of corporate governance, transparency and disclosure, while we continue to expand and further deepen our capabilities as a high-performing organisation that meets the diverse and evolving insurance needs of our customers.

ENHANCING OUR CAPABILITIES & REACH TO SERVE OUR CUSTOMERS BETTER

Income has made good progress to become a digital insurer. We were the first insurer in Singapore to offer Droplet, an insurance that protects customers against surge pricing due to rain when they book a ride on ride-hailing platforms. Income also ranked No.1 in an inaugural industry benchmark[1] in 2018, which compared the innovation and digitalisation efforts of 25 insurers in Singapore.

As we reimagine insurance and transform the way customers regard and engage with insurance, we are also growing and investing in our distribution channel so that we meaningfully cater to customers' preference for choice and flexibility to engage with insurance that is based on their lifestyles and needs. In this regard, we are not only increasing our advisors footprint but also empowering them with digital tools and platforms so that our advisory capabilities leverage and complement technology of today. This ensures that our financial advisors move up the value curve as they support customers in their financial goals.

COMMITTED TO DELIVER POSITIVE SOCIAL IMPACT IN OUR COMMUNITY

Each year, we are focused on not only doing well but also doing good via our product offerings, services, and giving back to the communities we serve through our employees, policyholders and donors. Here are a few highlights as we continue to rank first[2] amongst insurers as a socially responsible company.

Prolonged Medical Leave (PML) Insurance for Self-employed Person
Given the thriving gig economy, Income is increasingly seeing a growing protection gap amongst self-employed persons and recognises them as a group of people who are currently underserved by insurance in Singapore.

Launched in September 2018, Income's PML insurance plans are intended to mitigate loss of income, particularly during long periods of illness, injury or hospitalisation for self-employed persons. More significantly, the plans offer pay-out on top of other insurance plans and apply the same premium rate regardless of occupation types.

Orange Health rewards policyholders who keep healthy and active
Believing in a holistic approach to health, Orange Health is a health and fitness programme that rewards those who are insured by IncomeShield when they clock sufficient sleep, in addition to pursuing a healthy diet and active lifestyle.

To foster healthier food choices and physical activities, Orange Health makes it easy and convenient for users to make healthier decisions with its easy-to-use mobile application and its wide range of partners. By rewarding people who make deliberate choices that positively impact their health, we hope to help Singaporeans establish good lifelong healthy habits.

1 The Applied Innovation Institute Singapore Insurance Innovation and Digital Benchmark, produced by the Applied Innovation Institute (Aii), in partnership with Quest Ventures.
2 Social Impact Tracker 2018 by Nielsen, commissioned by Income.

Deepening our impact with the Future Development Programme

In 2018, Income extended its flagship community initiative, the Income OrangeAid Future Development Programme (FDP), for another two years (2018 – 2019). This follows the success of the initiative for the past three years as it provided Singaporean students from low-income households studying in polytechnics and Institute of Technical Education (ITE) with bursaries, financial literacy training, as well as, personal and career guidance.

The extended programme will see the FDP offer an additional 800 bursaries, amounting to over $2.0 million, to support underprivileged youths in their school fees and living expenses. Additionally, the FDP launched an Alumni Programme, which comprises coaching and facilitator training to further support current and past FDP beneficiaries to be more future ready.

The coaching programme aims to expand the horizons of FDP beneficiaries on alternative career choices and is designed to complement career mentoring programmes at polytechnics and ITE. It also curates coaches based on the youths' regular feedback on career interests.

Similarly, the FDP Alumni Facilitator Training was inspired by feedback from FDP beneficiaries who expressed a desire to give back to the programme. By offering facilitator training, Income OrangeAid aims to groom FDP beneficiaries, who are interested to explore a career as a trainer and equip them with the necessary skill-set, while they earn a small stipend when they return to support their peers at FDP workshops.

Contribution to our community

In 2018, Income contributed $1.5 million to the Labour Movement. This included a $1.0 million donation to the U Care Fund, which provides assistance to low-income union members and their families.

We also continue to contribute 1% of our insurance operating profit to community development initiatives through like-minded Income OrangeAid partners.

Last year, Income staff contributed over 3,000 volunteering hours and helped over 2,700 beneficiaries during our annual 'Income Gives Back' initiative.

CONCLUSION

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

It is only with your support and patronage that Income can succeed as a thriving social enterprise and to help people from all walks of life in Singapore achieve financial resilience and be protected against life's uncertainties.

We look forward to another year of innovation and to deliver value and a positive difference to the people we serve through insurance.

For and on behalf of the Board of Directors

Ronald Ong
Chairman

Board of Directors

RONALD ONG
CHAIRMAN

Mr Ronald Ong was co-opted to the Board on 23 August 2018 as Director representing the Founder Member. He was appointed as the Chairman of the Board on 1 January 2019.

Mr Ong is the Chairman and CEO, SE Asia, at Morgan Stanley. He has been with Morgan Stanley for 20 years and has over 30 years of experience as a banker with substantial experience in Mergers & Acquisitions and Financing, as well as, extensive client relationships in Singapore, Malaysia, Indonesia and Thailand.

Mr Ong is a Board Member of NTUC FairPrice Co-operative Limited; Member of the Advisory Board of the Lee Kong Chian School of Business, Singapore Management University; Member of the Advisory Board of the Sim Kee Boon Institute for Financial Economics, Singapore Management University, and Member of the Listings Advisory Committee, Singapore Stock Exchange.

Mr Ong graduated with a Bachelor of Business Administration from the University of Singapore in 1980 and was a Naval Officer with the Republic of Singapore Navy.

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. He is Executive Director of NTUC Enterprise Co-operative Limited, and also holds directorships in Raffles Medical Group Ltd and Capitaland Limited, among others. He is also Income's nominee director on the boards of FFMC Holdings Pte Ltd and Fullerton Fund Management Company Ltd.

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

Mr Kee holds a Master of Arts from Oxford University.

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 26 May 2017. He is the Chairman of the Risk Management, Nominating, and Human Resource & Remuneration Committees. He is also the lead independent director on the Board. Dr Sung joined 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. He is also Investment Advisor to the Singapore Ministry of Finance and non-Executive Director of MIT Investment Management Company, Centre for Asset Management Research & Investments at NUS, and Wealth Management Institute at NTU. 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, the Advisory Investment Committee of the Bank of Thailand 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 degree in Pure Mathematics from the University of Minnesota.

RICHARD SHERMON
DIRECTOR

Mr Richard Shermon was first elected to the Board on 24 May 2011 and last re-elected as Director representing the Founder Member on 26 May 2017. He is a member of the Audit and Risk Management Committees.

Mr Shermon, originally from the UK, is now an Australian citizen managing his own financial consultancy business based in Melbourne. He has more than 25 years of experience in financial services, of which he was the CEO of AXA Life Insurance in Singapore for three years. He is a qualified actuary and has a strong background in actuarial science, as well as, a good knowledge of the insurance business in UK, Australia and Singapore.

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

Board of Directors

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 25 May 2018. He is a member of the Risk Management and Investment Committees.

Mr Choong was with Accenture for more than 20 years until his retirement as Senior Partner in the Financial Services Asia-Pacific practice. He led strategy, transformation and technology initiatives for more than 20 regional and global banks and insurance companies in Singapore and Asia-Pacific. Mr Choong was also involved in global Non-governmental Organisation activities.

Mr Choong previously held independent non-executive director positions in commercial banks, Islamic bank, private equity firm and stockbroking firm in the region. His current interests are in digital start-ups, e-commerce and fintech, and he mentors and advises start-ups under various incubators and accelerators in Singapore.

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

LAU WING TAT
DIRECTOR

Mr Lau Wing Tat was first elected to the Board on 5 June 2013 and last re-elected as Director representing the Institutional Members on 26 May 2016. 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 Hyflux Limited and a member of the Investment Committee of the Singapore University of Social Sciences. Mr Lau joined the Government of Singapore Investment Corporation (GIC) in 1983 for a career in Investment Management. He was with GIC for the next 20 years, where he played a number of different roles in various departments. Between February 2005 and June 2007, Mr Lau served as the Chief Investment Officer and Chief Executive Officer of DBS Asset Management, a wholly-owned subsidiary of the DBS Group. Thereafter, he took on several directorships and advisory roles.

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

PANG WAI YIN
DIRECTOR

Ms Pang Wai Yin was co-opted to the Board on 27 February 2017 and formally elected as Director representing the Institutional Members on 26 May 2017. She is the Chairperson of the Audit Committee and a member of the Risk Management Committee.

Ms Pang's prior experience included six years of external audit work in a public accounting firm, and 17 years spent in various risk management roles in GIC Pte Ltd. She retired from GIC on 1 July 2014 as Managing Director and Director of the Risk & Performance Management Department. She has extensive experience in formulating risk governance framework and risk management policies as well as implementing risk management systems, processes and a sound internal control environment.

Ms Pang is currently an independent director of Avanda Asia Vantage Fund and Avanda Asia Vantage Master Fund. She is also Income's nominee director on the boards of FFMC Holdings Pte Ltd and Fullerton Fund Management Company Ltd.

Ms Pang holds a degree in Accountancy from the National University of Singapore and a Masters in Applied Finance from Macquarie University.

She is a member of the Institute of Singapore Chartered Accountants.

JOY TAN
DIRECTOR

Ms Joy Tan was co-opted to the Board on 8 May 2017 and formally elected as Director representing the Founder Member on 26 May 2017. She is a member of the Risk Management, Nominating and Human Resource & Remuneration Committees.

Ms Tan is the Deputy Head of the Commercial & Corporate Disputes Practice and the Joint Head of the Corporate Governance & Compliance Practice of WongPartnership LLP. She is also a Partner in the Employment Practice.

Ms Tan serves as the Vice-Chair of the Industrial & Services Co-operative Society, and a member of the Board, Audit Committee and Risk Committee of the Singapore Health Services, as well as, independent director of PEC Limited. She is also a member of the Ministry of Health's Agency for Care Effectiveness Council.

In addition to being the Vice-Chair and Nominating and Remuneration Committee Chair on the Board of the Singapore Repertory Theatre and a panel member of The Law Society Disciplinary Tribunals, Ms Tan also sits on the panel of arbitrators of the Singapore International Arbitration Centre, and is a member of the Singapore Association of Women Lawyers.

Ms Tan graduated with First Class Honours from Cambridge University and was awarded the UK Council of Legal Education Prize at the Non-Vocational Bar Exam. She has been admitted to both the English and Singapore Bars.

Board of Directors

SIM HWEE HOON

DIRECTOR

Ms Sim Hwee Hoon was elected to the Board as Director representing the Ordinary Members on 26 May 2017. She is a member of the Audit, Nominating and Human Resource & Remuneration Committees.

Ms Sim was the Regional Chief Operating Officer of Private Wealth Management Asia at Morgan Stanley from 2010 to 2016. She was also the CEO of Morgan Stanley Asia International Limited, Singapore Branch, and sat on the Board of Directors of Morgan Stanley Asia International Limited.

Before Morgan Stanley, Ms Sim spent 12 years with JPMorgan Private Bank Asia. Her appointments included the Asia Regional CFO from 2006 to 2010 and Asia Head of Risk Management from 1998 to 2006. She also sat on the Board of Directors of JPMorgan International Bank Limited (UK incorporated) and JPMorgan Securities Asia Private Limited.

Ms Sim is currently a board member of the YWCA of Singapore and sits on the advisory committee of Stashaway.

Ms Sim holds a Master of Finance degree from the Royal Melbourne Institute of Technology and an Honors degree in Bachelor of Accountancy from the National University of Singapore.

SIM HWEE CHER

DIRECTOR

Mr Sim Hwee Cher was co-opted to the Board as Director representing the Institutional Members on 23 August 2018. He is a member of the Audit and Risk Management Committees.

Mr Sim was the Vice Chairman (Operations), Assurance leader and member of the Leadership Team at PricewaterhouseCoopers LLP (PwC) before his retirement in July 2018. He was also a member of the PwC Executive Board for Singapore, China, Hong Kong and Taiwan.

Mr Sim is currently Council Member of Community Chest, member of the National University of Singapore School of Accounting Advisory Council and Director (Audit & Risk Committees) of Mandai Safari Park Holdings Pte Ltd and The Esplanade Private Limited.

Mr Sim holds a Bachelor of Accountancy (Honours) from the National University of Singapore (NUS). He also completed ACCA (UK) examinations in 1981. He is a Fellow of the Chartered Public Accountants of Australia and a Fellow of the Association of Chartered Certified Accountants of United Kingdom.

Corporate Governance

INTRODUCTION

NTUC Income ("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, sustain business integrity, and 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 policies 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 10 members as follows:

Chairman	Ronald Ong
Deputy Chairman	Kee Teck Koon
Directors	Sung Cheng Chih Richard Shermon Choong Tuck Oon Lau Wing Tat Pang Wai Yin Joy Tan Sim Hwee Hoon Sim Hwee Cher

Mr Ronald Ong and Mr Sim Hwee Cher were co-opted to the Board on 23 August 2018. Mr Stephen Lee, the Chairman of the Board, stepped down with effect from 31 December 2018, after serving for more than 5 years. Mr Ronald Ong was appointed as the new Chairman from 1 January 2019. Mr Heng Chee How stepped down from the Board on 19 March 2019.

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, information technology, human resource management 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. The continuous development programme comprises talks and seminars organised by external organisations, talks by invited speakers at Board and Board Committee meetings 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 two directors to be independent. The non-independent directors are Mr Kee Teck Koon who is connected to NTUC Enterprise Co-operative Limited, the Co-operative's substantial shareholder, and Mr Ronald Ong 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. A Board retreat is also held each year for management to engage the Board on a strategic review of the Co-operative's key plans and initiatives for the following year.

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

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

Directors' Attendance at Board and Board Committee Meetings in 2018

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
Ronald Ong(1)	3	3	–	–	–	–
Kee Teck Koon	6	6	–	–	4	2
Sung Cheng Chih	6	5	–	–	–	–
Richard Shermon	6	6	4	4	–	–
Heng Chee How	6	6	–	–	–	–
Choong Tuck Oon	6	6	–	–	4	4
Lau Wing Tat	6	6	–	–	4	4
Pang Wai Yin	6	6	4	4	–	–
Joy Tan	6	6	–	–	–	–
Sim Hwee Hoon	6	5	4	4	–	–
Sim Hwee Cher(1)	3	3	2	2	–	–
Stephen Lee(2)	6	6	–	–	–	–

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
Ronald Ong(1)	–	–	–	–	–	–
Kee Teck Koon	–	–	7	6	5	5
Sung Cheng Chih	4	4	7	6	5	4
Richard Shermon	4	4	–	–	–	–
Heng Chee How(3)	2	1	–	–	–	–
Choong Tuck Oon	4	4	–	–	–	–
Lau Wing Tat	–	–	7	6	5	5
Pang Wai Yin	4	4	–	–	–	–
Joy Tan	4	4	7	5	5	3
Sim Hwee Hoon	–	–	7	6	5	5
Sim Hwee Cher(1)	2	2	–	–	–	–
Stephen Lee(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) Co-opted to the Board on 23 August 2018
(2) Stepped down from the Board on 31 December 2018
(3) Stepped down from the RMC on 25 May 2018

Corporate Governance

Chairman and Chief Executive

The roles of the Chairman and Chief Executive 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 the AGM in fostering constructive dialogue between the members of the Co-operative, the Board, and senior management. Members' questions and concerns are addressed at the AGM.

The Chief Executive 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.

Lead Independent Director

As the Chairman is non-independent, Dr Sung has been appointed as the lead independent director on the Board. This is in line with the Guidelines on Corporate Governance. The lead independent director provides independent leadership on the Board in situations where the Chairman may face potential conflicts, and acts as a sounding board for the Chairman. The independent directors meet at least annually without the presence of the other directors, and the lead independent director provides feedback to the Chairman after the meeting.

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 topics such as the Co-operative's history, corporate profile and structure, key performance measures, strategy, business plan and risk management.

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 and Remuneration Committees. The Board has delegated authority and powers to these Committees to monitor and have oversight over specific areas.

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

Each 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.

Corporate Governance

Audit Committee

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

Chairperson Pang Wai Yin

Members Richard Shermon
Sim Hwee Hoon
Sim Hwee Cher

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.

The key duties and responsibilities of the AC are to:

- Review the financial statements of the Co-operative with management and the external auditors
- Review the effectiveness of material financial, operational, compliance and information technology controls, including the corporate fraud risk management policy/ framework and whistle-blowing arrangements which staff and other parties may in confidence raise concerns about possible improprieties relating to financial reporting, controls or any other matters
- Assess the adequacy and effectiveness of the Internal Audit (IA) function in terms of its organisational independence, resources, capability, practices and work plans
- Review the audit plan and results of external audits, as well as the independence and objectivity of external auditors, on both audit and non-audit services and recommend to the Board on the appointment, re-appointment or removal of external auditors
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance
- Review all material related party transactions and keep the Board informed of such transactions

The AC met four times during the year. Internal auditors, the Chief Executive 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 IA Charter to ensure they are adequate and relevant. 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.

The Chief Internal Auditor has a direct reporting line to the Chairman of the AC. The IA function resides in-house and is independent of the activities it audits. The IA function is staffed by suitably qualified executives. An external quality assurance review will be conducted periodically to ensure that IA's activity conforms to the International Standards for the Professional Practice of Internal Auditing.

On a quarterly basis, management reported to the AC significant related party transactions, contingent liabilities and regulatory compliance issues. In performing its functions, the AC had met up at least annually with the internal and external auditors without the presence of management.

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

Corporate Governance

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

Chairman	Lau Wing Tat
Members	Kee Teck Koon Choong Tuck Oon Ken Ng (Chief Executive) Kate Chiew (Chief Investment Officer) Lau Sok Hoon (Appointed Actuary)

The IC exercises the authority delegated by 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:
- Formulate, establish and recommend the Investment Policy and Strategic Asset Allocation (SAA) for approval by the Board
- 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 required to support new and existing products
- Ensure the Investment Policy of the Participating Fund is consistent with Income's bonus and dividend policy
- Ensure resources dedicated to investment activities are sufficient to implement and manage the approved Investment Policy and any other activities requested by the Board
- Implement and maintain adequate risk management systems and controls in respect of the Co-operative's investment portfolios
- Oversee all ILP funds and reviewing fund performance on a regular basis
- Approve the limits and guidelines outlined in the Investment Policy, which have been delegated by the Board to the IC, subject to Income's overall risk limits set by the Risk Management Committee (RMC)
- Approve margin transactions and short positions as outlined in the Investment Policy

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 evaluated and approved a number of major investment activities, including the review of strategic asset allocation, performance benchmarks and the investment portfolios outsourced to external fund managers. It also oversaw the successful implementation of the appointment of Fullerton Fund Management Company Ltd, under a strategic partnership agreement, to manage a significant portfolio of the Co-operative's assets.

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

Chairman	Sung Cheng Chih
Members	Richard Shermon Choong Tuck Oon Pang Wai Yin Joy Tan Sim Hwee Cher Eric Seah (External member)

The Board delegates its oversight function to the RMC while retaining the ultimate authority and responsibility. The RMC oversees the risk management framework and policies, covering all material risks that include market, credit, insurance, operational, liquidity and reputational risks.

Corporate Governance

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 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 regular meetings during the year. It reviewed and discussed with management, the risk management strategy and plans forward, risk appetite, and Enterprise Risk Management framework with the objective of further strengthening the Co-operative's risk governance. 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 Lau Wing Tat Joy Tan Sim Hwee Hoon

The key duties and responsibilities of the NC are to:
- Lead the process of appointing the key position holders, with the approval of the Board, as required under the ICGR
- Formulate succession plans for the executive team and key roles such as Chairman and Chief Executive
- Determine the criteria to be applied in identifying suitable candidates, and review 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 Chief Executive, Deputy Chief Executive, 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 Chief Executive, Deputy Chief Executive, any actuary appointed with the approval of the MAS, Chief Financial Officer and Chief Risk Officer for his / her resignation from his / her appointment
- Assess each candidate or nominee such that he/she 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
- Recommend to the Board on the development of a process for the annual evaluation of the performance of the Board, Board Committees and directors
- Assess the skills of the directors on an annual basis, and identify whether the Board or Board Committees lack any skills to perform their roles effectively, and identify steps to improve the effectiveness of the Board and Board Committees
- Determine the independence of each director prior to every AGM, based on the definition and criteria set out in the provisions of the prevailing ICGR, including any amendment thereto
- Review and assess, prior to every AGM, whether each existing director remains qualified for the office using the criteria set out in the provisions of the prevailing ICGR, including any amendment thereto, and to notify MAS in writing of the review and assessment
- 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
- Recommend to the Board concerning the membership of the Board Committees
- Review the adequacy of Board training and education

Corporate Governance

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

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

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

The NC met seven times during the year. The key areas reviewed were the assessment of new Board candidates, the skills and competencies needed on the Board, the composition of the Board Committees and independence of directors. The NC also carried out the annual Board evaluation exercise. In addition, the NC met to assess candidates for key executive positions.

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

Chairman	Sung Cheng Chih
Members	Kee Teck Koon Lau Wing Tat Joy Tan Sim Hwee Hoon

The key duties and responsibilities of the HRRC are to:

- Review and recommend a framework for determining the remuneration of non-executive directors, external members of Board Committees and the Chief Executive
- Review and approve a framework for determining the remuneration of senior management, based on the factors set out in the prevailing ICGR, including any amendment thereto
- Review and approve the remuneration plans and actual pay-out for senior management, defined as Senior Vice Presidents and above, and for the Chief Executive only, in consultation with the Board Chairman, such that remuneration practices do not create incentives for inappropriate risk-taking behaviour
- Review and approve succession plans for senior management annually
- Review appointments and terminations of senior management

The HRRC met five 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 and staff engagement programs. 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.

Corporate Governance

RELATED PARTY TRANSACTIONS POLICY AND PROCESS

The Related Party Transactions Policy of the Co-operative provides guidance and direction on the identification and approval of related party transactions. The policy prohibits all related party transactions, unless approved or ratified by the Board, or considered pre-approved as outlined in the policy. On a quarterly basis, the management reports to the AC and Board any significant related party transactions that are 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, on average, 85% – 15% for employees and 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.

Remuneration of Non-Executive Directors

The honoraria payable to non-executive directors in 2018 was approved at the last AGM as follows:

Base Fee	$37,100
Appointment Fee	
Chairman	$36,500
Deputy Chairman/Chairman of Audit, Risk Management, Investment, Human Resource & Remuneration and Nominating Committees	$33,000
Member of Audit, Risk Management or Investment Committee	$23,500
Member of Human Resource & Remuneration or Nominating Committee	$9,000

Each director will be paid a fee based on the base fee and the two highest appointments he or she holds, regardless of the number of appointments. The director's fee is pro-rated for new directors who come on board based on the period of service.

Non-Executive Directors' Remuneration for 2018

Name of Director	Director Fee
Ronald Ong(1)	$13,315
Kee Teck Koon	$93,600
Sung Cheng Chih	$103,100
Richard Shermon	$84,100
Heng Chee How	$46,436
Choong Tuck Oon	$84,100
Lau Wing Tat	$79,100
Pang Wai Yin	$93,600
Joy Tan	$69,600
Sim Hwee Hoon	$69,600
Sim Hwee Cher(1)	$30,184
Stephen Lee(2)	$73,600

(1) Co-opted to the Board on 23 August 2018
(2) Stepped down from the Board on 31 December 2018

Immediate Family Member of Directors

The Co-operative did not employ any immediate family member of a director in 2018.

Corporate Governance

Remuneration of Key Executives
The Corporate Governance Guidelines recommend that the remuneration of at least the top five key executives be disclosed within bands of $250,000. After careful consideration, the Board has decided not to disclose information on the remuneration of the top five key executives as the disadvantages to the Co-operative's business interests would far outweigh the benefits of such disclosure in view of the disparities in remuneration in the industry and the competitive pressures that are likely to result from such disclosure.

COMMUNICATION WITH MEMBERS

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

ENTERPRISE RISK MANAGEMENT

The Risk Management Strategy, as formulated by the RMC and approved by the Board, serves to ensure that the risk management framework is in place to identify, measure, manage, monitor and report 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's 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 the Co-operative's business and is defined as events which have a range of probabilistic outcomes, some of which have a negative impact on the organisation.

The risk management framework ensures that risks are properly measured, managed and monitored. The framework is tailored to the organisation and business structure to ensure that it is relevant and effective. Review of the framework is performed regularly to ensure that it remains fit for purpose and that it does provide the safeguards and assurances that the business is soundly run.

Under the risk management framework, risks are classified under five broad categories which are considered to be most central to the 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 asset market prices and long-term investment performance.

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

Corporate Governance

2. **Insurance Risk**
Insurance risk refers to the uncertainty of claim payment 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 the Co-operative, the limits of 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 of the obligors.

   The Credit Risk Management Policy puts in place a robust process where ratings are applied to credit exposures. Each credit is rated and assigned a limit which will be aggregated and monitored across different sources of credit risk. Limits are set according to the evaluation of the credit worthiness and risk appetite.

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 the ability to do business or impact reputation.

   - Risk and Control Self-Assessment
Heads of Business Units and/or appointed Risk Champions and Representatives 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, to achieve an effective internal control environment.

   - Use of appropriate operational risk management tools, methodology and mitigation strategies to identify, measure 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.

   In particular, there are policies, processes and controls in place:

   - to protect the Co-operative from risks associated with money laundering and terrorist financing, and these include regular monitoring and screening activities.

   - to protect the customers, business and other related third parties from fraud risks.

   - to manage cyber risks and technology risks relating to data loss/leakage, system security vulnerabilities, system breakdown and availability, privileged access misuse and technology obsolescence.

5. **Reputational Risk**
The Co-operative's business relies on its reputation and the trust its policyholders place in it for their financial security. The Co-operative is committed to continue to earn this trust by reinforcing fair and ethical practices, supported by strong compliance and corporate governance structures and processes.

Roles and Responsibilities
The RMC provides Board level oversight on risk management. The Risk Review Committee (RRC) is a management committee responsible for the implementation and operationalisation of the risk management strategy. The Chief Risk Officer and the Risk Management function are accountable to both committees and have primary responsibility to ensure that objectives of the committees are met.

Corporate Governance

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 RRC 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
- Promotion of appropriate risk culture throughout the organisation

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

- Establishes and maintains the ERM framework, key risk profile, 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 the risk appetite.

The asset pool backing liabilities is 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 matching to minimise the fund's liquidity and interest rate risks.

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 staying within all risk limits. The optimal SAA determined in each study and the Investment Policy are approved by the Investment Committee and the Board before implementation.

Appointed Actuary's Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

The Co-operative remains financially sound and the insurance contract provisions are sufficient to meet future obligations. Our net assets increased by $685 million while insurance contract provisions increased by $719 million.

Insurance Funds	* Net Assets ($million)			Insurance Contract Provisions ($million)		
	31-Dec-17	31-Dec-18	% change	31-Dec-17	31-Dec-18	% change
Life Insurance						
Participating Fund	25,990	**26,486**	1.9%	25,540	**26,025^**	1.9%
Non-Participating Fund	3,962	**4,199**	6.0%	2,333	**2,570**	10.2%
Investment-Linked Fund	2,120	**2,127**	0.3%	2,118	**2,123**	0.2%
General Insurance Fund	1,322	**1,267**	-4.2%	633	**625**	-1.3%
Total Insurance Funds	33,394	**34,079**	2.1%	30,624	**31,343**	2.3%

* Net Assets is the assets net of other liabilities.
^ Includes Investment contract liabilities of $7.2 million.

The insurance contract provisions are valued in accordance to Insurance (Valuation and Capital) Regulations 2004, taking into account all contractual liabilities. For the Participating Fund, total insurance contract provisions include an allowance for future bonuses. The reserving assumptions are reviewed on an annual basis to reflect the Co-operative's latest experience.

One of my duties as the Appointed Actuary is to recommend to the Board of Directors ("the Board") the bonus rates to be allocated to the Co-operative's participating policyholders. After weighing in the financial analysis, policyholders' reasonable expectations and senior management's view, my recommendation is to maintain the bonus rates for majority of the participating products, to trim the annual bonus rates for selected annuity policies and to increase the terminal (or special) bonus rates for selected endowment policies maturing between 1st April 2019 and 31st March 2020. The bonus rates will be published on the Co-operative's website in April 2019.

In addition, I recommend to the Board the amount to transfer from the surplus arising in the Participating Fund to the Surplus Account on an annual basis. This recommendation complies with the maximum amount that can be transferred as stipulated in section 17 of the Insurance Act.

I also recommend to the Board the amount to transfer from Surplus Account and other Insurance Funds to the Shareholders' Fund. The detailed financials can be found in the "Consolidated Statement of Changes in Equity" section of this report.

The above recommendations have been agreed and approved by the Board.

Lau Sok Hoon
Appointed Actuary
Singapore, 28 March 2019

Statement by Directors

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

In the opinion of the directors,

(a) other than the matter described in the 'Basis for qualified opinion' in the independent auditors' report, the consolidated financial statements of the Group as set out on pages 40 to 136 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Group for the financial year then ended 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

Ronald Ong Chairman	Pang Wai Yin Director	Ng Wai Kin Ken Chief Executive

Singapore, 28 March 2019

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

MEMBERS OF THE CO-OPERATIVE
NTUC INCOME INSURANCE CO-OPERATIVE LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Qualified opinion

We have audited the 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 as at 31 December 2018, 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 notes to the financial statements, including a summary of significant accounting policies as set out on pages 40 to 136.

In our opinion, except for the effects of the matter described in the '*Basis for qualified opinion*' section of our report, the accompanying consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Co-operative Societies Act, Chapter 62 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Group as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

Basis for qualified opinion

As stated in Notes 2(s) and 20 to 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 this been done, in respect of the common share capital of $327,791,000 (2017: $988,083,000) less the corresponding treasury shares of $14,159,000 (2017: $14,159,000) would be reflected as a liability, and dividends paid of $52,563,000 (2017: $37,844,000) would be reflected as a finance cost instead of a distribution to participating members.

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for qualified opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation of insurance contract provisions
(Refer to Note 3 and 15 to the financial statements)

The key audit matter

The Group's insurance business comprises life and general insurance contracts. The Group has significant insurance contract provisions representing more than 90% of its total liabilities. Valuation of insurance contract provisions is inherently judgmental and subjective. The methodologies and assumptions adopted are crucial to the valuation of the insurance contract provisions so that sufficient amounts are held to meet expected obligations.

i) Life insurance contract provisions

Economic assumptions such as investment return and interest rates, and non-economic assumptions such as mortality, morbidity and policyholder persistency are some of the key inputs used to estimate the Group's life insurance contract liabilities.

In addition to historical experience, management judgement is involved in the application of these assumptions. Changes in these assumptions used could result in a material impact to the valuation of the life insurance contract liabilities and the related movements in the consolidated statement of comprehensive income.

How was the matter addressed in our audit

We used our internal actuarial specialists to assist us in performing the following procedures:

- Reviewed the reasonableness of the actuarial valuation methodologies used against regulatory requirements and industry practices, as applicable;
- Reviewed the reasonableness of key assumptions with reference to historical trends and experience. Where applicable, we benchmarked the assumptions to other similar insurers;
- Reviewed the relevant experience investigations to verify that the assumptions applied are consistent with the Group's experience;
- Reviewed the reasonableness of the movement analysis of provisions to explain the key drivers of the changes during the year; and
- Considered the adequacy of disclosures in the financial statements.

Findings

Based on our above procedures, we considered the methodologies and assumptions used in the valuation of the life insurance contract provisions to be appropriate. We also conclude that the disclosures on the valuation methodologies and assumptions applied and sensitivity analysis (Note 3) and the insurance risk management note (Note 4 (a)) to be appropriate.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Valuation of insurance contract provisions
(Refer to Note 3 and 15 to the financial statements)

ii) General insurance contract provisions

General insurance contract provisions include the provision for claims and loss adjustment expenses and the provision for unexpired risk. These are determined based on historical claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Estimates have to be made for both the expected ultimate cost of claims reported at the reporting date, and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date.

The estimation of general insurance contract liabilities is sensitive to various assumptions applied including most significantly the assumed loss ratio. Management judgement is applied in setting these assumptions. Changes in these assumptions used could result in a material impact to the valuation of the general insurance contract liabilities and the related movements in the statement of comprehensive income.

How was the matter addressed in our audit

We used our internal actuarial specialists to assist us in performing the following procedures:

- Reviewed the reasonableness of the actuarial valuation methodologies used against regulatory requirements and industry practices, as applicable;
- Reviewed the reasonableness of key assumptions with reference to historical trends and experience. Where applicable, we benchmarked the assumptions to other similar insurers;
- Reviewed the reasonableness of the movement analysis of provisions to explain the key drivers of the changes over the year;
- Re-computed the insurance contract provisions for all classes of business, using management's selected methodologies and assumptions to ascertain the accuracy of the calculation;
- Analysed independently all key classes of general insurance business using our internal actuarial selected methodology and assumptions to determine a reasonable range of best estimates, and compared the Group's calculated result against that range; and
- Considered the adequacy of disclosures in the financial statements.

Findings

Based on our above procedures, we considered the methodologies and assumptions used in the valuation of the general insurance contract provisions to be appropriate. We also conclude that the disclosures on the valuation methodologies and assumptions applied and sensitivity analysis (Note 3) and the insurance risk management note (Note 4(b)) to be appropriate.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Valuation of other financial assets
(Refer to Note 4(f) and 11 to the financial statements)

The key audit matter
The Group's investment portfolio represents more than 87% of its total assets. Of the financial instruments that are carried at fair value in the Group's consolidated financial statements as at 31 December 2018, the areas that involved significant judgment were the valuation of unquoted funds, debts and equities, representing approximately 6% of the Group's total investments.

These financial instruments are classified as Level 3 in the fair value hierarchy, where their fair values are measured using unobservable inputs such as the net asset value of the investee companies.

How was the matter addressed in our audit
We assessed whether fair values of the Level 3 financial instruments are reasonable by performing the following procedures:

- Discussed with management on the valuation approaches for these Level 3 instruments to assess the appropriateness of the basis of valuations;
- Reviewed management's sensitivity analysis in respect of the key assumptions used to assess the impact, if any, to the valuation;
- Obtained independent confirmations to ascertain the reliability of inputs used in the valuations;
- Evaluated the reliability of valuation approaches used in the valuation of unquoted equities and funds by performing look-back procedures to compare prior year inputs to the investees' audited financial statements; and
- Assessed the adequacy of disclosures in the financial statements on the fair value measurement basis.

Findings
The valuation methods applied are in line with generally accepted market practices and the valuations are consistent with recent transacted prices or external net assets valuation reports. We also found that the disclosures on fair value measurement (Note 4(f)) to be appropriate.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Valuation of investment properties
(Refer to Note 4(f) and 7 to the financial statements)

The key audit matter
The Group owns a portfolio of investment properties comprising commercial, industrial and residential properties. These investment properties are carried at fair values as determined by independent professional valuers.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied in deriving future cash flows such as the capitalisation rates, discount rates and terminal yield rates; where a change in the assumptions can have a significant impact to the valuation.

How was the matter addressed in our audit
We assessed whether the fair values of the investment properties are reasonable by performing the following procedures:

- Inquired and assessed management's basis of determining fair values of investment properties;
- Evaluated the competency and objectivity of the independent property valuers;
- Assessed the appropriateness and reasonableness of the valuation methodologies and key assumptions used by the independent property valuers such as the capitalisation rates, discount rates, rental growth rates and estimated rental rates;
- Reviewed management's computation and accounting treatment of fair value changes; and
- Assessed the adequacy of disclosures in the financial statements in describing the inherent degree of subjectivity and key assumptions in the estimates.

Findings
The Group has a process in appointing and instructing valuers, and in reviewing, challenging and accepting their valuations. A full valuation was performed by the valuers on the Group's portfolio of investment properties at the reporting date. The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are within the range of market data. We also found that the disclosures on the fair value measurement (Note 4(f)) to be appropriate.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Accounting for business combinations
(Refer to Note 10 to the financial statements)

The key audit matter
As part of its growth strategy, the Group made an investment in an associate, FFMC Holdings Pte Ltd, during the year. This acquisition was effected primarily by transferring business in exchange for equity interests.

Such transactions are complex and judgement is required in determining if this business acquisition resulted in the Group obtaining control, joint control or significant influence over the investee. There is also inherent uncertainty in the determination of the fair values of the contingent consideration, assets transferred, identifiable assets acquired and liabilities assumed in the transaction.

How was the matter addressed in our audit
We assessed the governance process over the determination of the appropriate accounting treatment to be adopted for the transaction.

We assessed management's processes for the selection of the external independent valuer, the determination of the scope of work of the independent valuer, and the review and acceptance of the external valuation reports.

We evaluated the qualifications and competence of the external independent valuer. We also read the terms of engagement of the independent valuer with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We compared the valuation methodologies and key assumptions used in deriving this fair value to generally accepted market practices and market data, and tested the integrity of the inputs in the valuation to supporting documents. We examined legal and contractual documents to determine if the classification of the acquisitions as subsidiaries, joint ventures or associates and accounting treatment were appropriate.

Findings
The Group has control processes in place to ensure that acquisition are identified and, recorded and that relevant accounting treatment is applied for business combination and asset purchases.

The judgement applied by the Group in determining whether significant acquisition are business combination or acquisition of assets was balanced. Estimates used in allocating the purchase price to assets and liabilities acquired in significant business combination and valuation of business transferred which constitute the purchase consideration were fair. We also found the disclosures of significant business combinations to be appropriate.

Other information
Management is responsible for the other information. The other information comprises information included in the annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion

In our opinion:

(a) the accounting and other records of those subsidiary corporations incorporated in Singapore of which we are 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.

Basis for opinion

We conducted our audit in accordance with SSAs. Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the compliance audit*' section of our report. We are independent of the Group in accordance with the ACRA Code together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on management's compliance.

Responsibilities of management for compliance with legal and regulatory requirements

Management is responsible for ensuring that the receipt, 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.

Independent Auditors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Auditors' responsibilities for the compliance audit

Our responsibility is to express an opinion on management's compliance based on our audit of the financial statements. We planned and performed the compliance audit to obtain reasonable assurance about whether the receipt, 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 controls relevant to the receipt, 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 controls. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

The engagement partner on the audit resulting in this independent auditors' report is Mr. Lau Kam Yuen.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
28 March 2019

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

	Note	The Group 2018 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
ASSETS							
Property, plant and equipment	5	10,381	–	–	–	178	10,559
Intangible assets	6	48,749	269	–	–	7,688	56,706
Investment properties	7	1,921,194	–	–	–	–	1,921,194
Investment in subsidiaries	8	–	–	–	–	–	–
Investment in joint venture	9	107,075	–	–	–	–	107,075
Investment in associated companies	10	407,393	–	–	–	251,933	659,326
Other financial assets	11	23,930,751	4,223,227	2,102,077	1,325,986	1,028,458	32,610,499
Loans	13	692,461	53	–	–	–	692,514
Derivative financial instruments	14	113,157	6,570	1,659	2,115	6,748	130,249
Reinsurers' share of insurance contract provisions	15	–	–	–	43,302	–	43,302
Insurance and other receivables	16	150,680	21,283	17,643	27,298	109,618	326,522
Cash and cash equivalents	17	423,331	96,708	53,913	41,515	29,087	644,554
Asset held for sale		–	–	–	–	–	–
		27,805,172	4,348,110	2,175,292	1,440,216	1,433,710	37,202,500
LIABILITIES							
Insurance contract provisions	15	26,017,373	2,570,244	2,122,726	668,421	–	31,378,764
Investment contract liabilities		7,239	–	–	–	–	7,239
Derivative financial instruments	14	62,718	1,714	1,567	29	1,523	67,551
Borrowings	18	417,291	–	–	–	599,435	1,016,726
Insurance and other payables	19	833,125	147,093	47,042	130,136	46,650	1,204,046
		27,337,746	2,719,051	2,171,335	798,586	647,608	33,674,326
NET ASSETS		467,426	1,629,059	3,957	641,630	786,102	3,528,174
SHARE CAPITAL AND RESERVES							
Share capital	20	–	–	–	–	988,379	988,379
Treasury shares		–	–	–	–	(14,159)	(14,159)
Reserves for future distribution	21	–	500,142	–	–	–	500,142
Fair value reserve		–	1,341	–	22,230	16,815	40,386
Accumulated deficit of Shareholders' Fund	29	–	–	–	–	(204,933)	(204,933)
Accumulated surplus of insurance funds							
– Life insurance par fund	28	461,790	–	–	–	–	461,790
– Other Insurance Funds	29	–	1,127,576	3,957	619,400	–	1,750,933
		461,790	1,629,059	3,957	641,630	786,102	3,522,538
Non-controlling interest		5,636	–	–	–	–	5,636
Total equity		467,426	1,629,059	3,957	641,630	786,102	3,528,174

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

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2018

		The Group					
		2017					
	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	8,531	–	–	–	–	8,531
Intangible assets	6	42,538	530	–	–	2,808	45,876
Investment properties	7	1,870,001	–	–	–	–	1,870,001
Investment in subsidiaries	8	–	–	–	–	–	–
Investment in joint venture	9	90,655	–	–	–	–	90,655
Investment in associated companies	10	361,750	–	–	–	117,673	479,423
Other financial assets	11	23,528,642	3,998,167	2,093,998	1,351,245	1,104,355	32,076,407
Loans	13	695,924	51	–	–	–	695,975
Derivative financial instruments	14	126,211	11,847	1,600	3,708	7,758	151,124
Reinsurers' share of insurance contract provisions	15	–	–	–	32,306	–	32,306
Insurance and other receivables	16	121,252	16,827	34,565	35,194	72,734	280,572
Cash and cash equivalents	17	424,148	56,370	43,204	37,675	24,364	585,761
Asset held for sale	31	1,220	–	–	–	–	1,220
		27,270,872	4,083,792	2,173,367	1,460,128	1,329,692	36,317,851
LIABILITIES							
Insurance contract provisions	15	25,529,694	2,332,752	2,117,978	664,903	–	30,645,327
Investment contract liabilities		10,454	–	–	–	–	10,454
Derivative financial instruments	14	76,106	141	493	80	2,482	79,302
Borrowings	18	416,401	–	–	–	599,292	1,015,693
Insurance and other payables	19	782,948	121,905	53,335	106,061	45,063	1,109,312
		26,815,603	2,454,798	2,171,806	771,044	646,837	32,860,088
NET ASSETS		455,269	1,628,994	1,561	689,084	682,855	3,457,763
SHARE CAPITAL AND RESERVES							
Share capital	20	–	–	–	–	988,083	988,083
Treasury shares		–	–	–	–	(14,159)	(14,159)
Reserves for future distribution	21	–	513,721	–	–	–	513,721
Fair value reserve		–	203	–	7,475	64,971	72,649
Accumulated deficit of Shareholders' Fund	29	–	–	–	–	(356,040)	(356,040)
Accumulated surplus of insurance funds							
– Life insurance par fund	28	450,160	–	–	–	–	450,160
– Other Insurance Funds	29	–	1,115,070	1,561	681,609	–	1,798,240
		450,160	1,628,994	1,561	689,084	682,855	3,452,654
Non-controlling interest		5,109	–	–	–	–	5,109
Total equity		455,269	1,628,994	1,561	689,084	682,855	3,457,763

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

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group					
		2018					
	Note	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Gross premiums		2,063,412	873,585	353,833	341,089	–	3,631,919
Reinsurance premiums		(7,663)	(3,485)	(55)	(21,921)	–	(33,124)
Net premiums		2,055,749	870,100	353,778	319,168	–	3,598,795
Fee and other income	22	14,621	64	12	5,749	128,505	148,951
Net investment income / (losses) and fair value gains / (losses)	23	141,502	45,151	(91,370)	17,445	27,997	140,725
Total		2,211,872	915,315	262,420	342,362	156,502	3,888,471
Benefits and claims							
Gross claims, surrenders and annuities		1,619,689	578,679	238,167	208,593	–	2,645,128
Bonus to policyholders		266,066	–	–	–	–	266,066
Increase / (Decrease) in insurance contract provisions		135,533	203,099	4,748	(7,751)	–	335,629
Less: Reinsurers' share of insurance benefits and claims		(6,035)	(2,040)	–	(7,796)	–	(15,871)
Net insurance benefits and claims		2,015,253	779,738	242,915	193,046	–	3,230,952
Expenses							
Interest expenses	18	9,453	–	–	–	22,042	31,495
Selling expenses		95,154	38,222	17,502	56,911	5,961	213,750
Management expenses	24	72,099	72,742	6,057	70,842	19,953	241,693
Total claims and expenses		2,191,959	890,702	266,474	320,799	47,956	3,717,890
Net operating surplus / (deficit)		19,913	24,613	(4,054)	21,563	108,546	170,581
Transfer (to) / from insurance contract provisions		(64,389)	–	–	–	–	(64,389)
Transfer to Shareholders' Fund		(8,283)	–	–	–	8,283	–
Transfer between Insurance Funds		–	–	–	–	–	–
Contribution to Central Co-operative Fund		–	–	–	–	(25)	(25)
Contribution to Singapore Labour Foundation		–	–	–	–	(21,897)	(21,897)
Share of result of associated companies and joint venture	9/10	64,405	–	–	–	5,755	70,160
Net surplus / (deficit) for the year		11,646	24,613	(4,054)	21,563	100,662	154,430

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

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group					
		2017					
	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	33	2,039,915	749,742	445,585	320,581	–	3,555,823
Reinsurance premiums	33	(20,040)	(4,705)	(22)	(18,318)	–	(43,085)
Net premiums		2,019,875	745,037	445,563	302,263	–	3,512,738
Fee and other income	22	15,298	109	4	3,416	–	18,827
Net investment income / (losses) and fair value gains / (losses)	23	2,241,726	230,382	242,624	79,293	74,155	2,868,180
Total		4,276,899	975,528	688,191	384,972	74,155	6,399,745
Benefits and claims							
Gross claims, surrenders and annuities	33	1,878,106	413,095	274,034	180,002	–	2,745,237
Bonus to policyholders		264,933	–	–	–	–	264,933
Increase / (Decrease) in insurance contract provisions		1,915,043	265,691	398,648	(5,784)	–	2,573,598
Less: Reinsurers' share of insurance benefits and claims	33	(2,293)	112	–	(6,466)	–	(8,647)
Net insurance benefits and claims		4,055,789	678,898	672,682	167,752	–	5,575,121
Expenses							
Interest expenses	18	7,146	–	–	–	22,037	29,183
Selling expenses		82,342	33,533	15,163	57,153	8,066	196,257
Management expenses	24	74,424	68,414	5,562	68,308	16,887	233,595
Total claims and expenses		4,219,701	780,845	693,407	293,213	46,990	6,034,156
Net operating surplus / (deficit)		57,198	194,683	(5,216)	91,759	27,165	365,589
Transfer (to) / from insurance contract provisions		(10,999)	–	–	–	–	(10,999)
Transfer to Shareholders' Fund		(7,851)	–	–	–	7,851	–
Transfer between Insurance Funds		–	–	–	–	–	–
Contribution to Central Co-operative Fund		–	–	–	–	(25)	(25)
Contribution to Singapore Labour Foundation		–	–	–	–	(14,495)	(14,495)
Share of result of associated companies and joint venture	9/10	11,033	–	–	–	(219)	10,814
Net surplus / (deficit) for the year		49,381	194,683	(5,216)	91,759	20,277	350,884

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

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group					
		2018					
	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		22,202	1,138	–	14,755	(48,156)	(10,061)
Share in other comprehensive income of associated companies and joint venture	9/10	–	–	–	–	–	–
Transfer to insurance contract provisions		–	–	–	–	–	–
Change in liabilities for insurance contracts arising from unrealised available-for-sale movements		(21,691)	–	–	–	–	(21,691)
Items that will not be reclassified subsequently to profit or loss:							
Transfer from reserves for future distribution	21	–	4,257	–	–	–	4,257
Total comprehensive income		12,157	30,008	(4,054)	36,318	52,506	126,935
Net surplus / (deficit) for the year excluding non-controlling interest		11,630	24,613	(4,054)	21,563	100,662	154,414
Non-controlling interest		16	–	–	–	–	16
		11,646	24,613	(4,054)	21,563	100,662	154,430
Total comprehensive income / (loss) excluding non-controlling interest		11,630	30,008	(4,054)	36,318	52,506	126,408
Non-controlling interest		527	–	–	–	–	527
		12,157	30,008	(4,054)	36,318	52,506	126,935

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		The Group 2017					
	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		(32,127)	203	–	7,976	37,282	13,334
Share in other comprehensive income of associated companies and joint venture	9/10	1	–	–	–	–	1
Transfer to insurance contract provisions		(1)	–	–	–	–	(1)
Change in liabilities for insurance contracts arising from unrealised available-for-sale movements		32,260	–	–	–	–	32,260
Items that will not be reclassified subsequently to profit or loss:							
Transfer to reserves for future distribution	21	–	(98,027)	–	–	–	(98,027)
Total comprehensive income		49,514	96,859	(5,216)	99,735	57,559	298,451
Net surplus / (deficit) for the year excluding non-controlling interest		49,347	194,683	(5,216)	91,759	20,277	350,850
Non-controlling interest		34	–	–	–	–	34
		49,381	194,683	(5,216)	91,759	20,277	350,884
Total comprehensive income / (loss) excluding non-controlling interest		49,347	96,859	(5,216)	99,735	57,559	298,284
Non-controlling interest		167	–	–	–	–	167
		49,514	96,859	(5,216)	99,735	57,559	298,451

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		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 2018		**–**	**–**	**–**	**–**	**988,083**	**988,083**
Issuance of participating shares	20	**–**	**–**	**–**	**–**	**1,749**	**1,749**
Redemption of participating shares	20	**–**	**–**	**–**	**–**	**(1,453)**	**(1,453)**
At 31 December 2018		**–**	**–**	**–**	**–**	**988,379**	**988,379**
At 1 January 2017		–	–	–	–	657,848	657,848
Issuance of participating shares	20	–	–	–	–	331,122	331,122
Redemption of participating shares	20	–	–	–	–	(887)	(887)
At 31 December 2017		–	–	–	–	988,083	988,083
Accumulated surplus							
At 1 January 2018		**450,160**	**1,115,070**	**1,561**	**681,609**	**(356,040)**	**1,892,360**
Net surplus / (deficit) for the year		**11,630**	**24,613**	**(4,054)**	**21,563**	**100,662**	**154,414**
Transfer of surplus (to) / from reserves for future distribution		**–**	**4,257**	**–**	**–**	**–**	**4,257**
Transfer (to) / from reserves for future distribution		**–**	**9,322**	**–**	**–**	**–**	**9,322**
Transfer to Shareholders' Fund		**–**	**(19,236)**	**–**	**(83,772)**	**103,008**	**–**
Transfer between Insurance Funds		**–**	**(6,450)**	**6,450**	**–**	**–**	**–**
Dividends for 2017 paid	27	**–**	**–**	**–**	**–**	**(52,563)**	**(52,563)**
At 31 December 2018		**461,790**	**1,127,576**	**3,957**	**619,400**	**(204,933)**	**2,007,790**
At 1 January 2017		400,813	701,966	5,327	646,929	(77,654)	1,677,381
Net surplus / (deficit) for the year		49,347	194,683	(5,216)	91,759	20,277	350,850
Transfer of surplus (to) / from reserves for future distribution		–	(98,027)	–	–	–	(98,027)
Transfer (to) / from reserves for future distribution		–	–	–	–	–	–
Transfer to Shareholders' Fund		–	(12,102)	–	(57,079)	69,181	–
Transfer between Insurance Funds		–	328,550	1,450	–	(330,000)	–
Dividends for 2016 paid	27	–	–	–	–	(37,844)	(37,844)
At 31 December 2017		450,160	1,115,070	1,561	681,609	(356,040)	1,892,360
Fair value reserve							
At 1 January 2018		**–**	**203**	**–**	**7,475**	**64,971**	**72,649**
Comprehensive income for the year		**–**	**1,138**	**–**	**14,755**	**(48,156)**	**(32,263)**
At 31 December 2018		**–**	**1,341**	**–**	**22,230**	**16,815**	**40,386**
At 1 January 2017		–	–	–	(501)	27,689	27,188
Comprehensive income for the year		–	203	–	7,976	37,282	45,461
At 31 December 2017		–	203	–	7,475	64,971	72,649

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		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
Reserves for future distribution							
At 1 January 2018		–	**513,721**	–	–	–	**513,721**
Transfer of surplus (to) / from accumulated surplus		–	**(4,257)**	–	–	–	**(4,257)**
Transfer (to) / from accumulated surplus		–	**(9,322)**	–	–	–	**(9,322)**
At 31 December 2018	21	–	**500,142**	–	–	–	**500,142**
At 1 January 2017		–	415,694	–	–	–	415,694
Transfer of surplus (to) / from accumulated surplus		–	98,027	–	–	–	98,027
Transfer (to) / from accumulated surplus		–	–	–	–	–	–
At 31 December 2017	21	–	513,721	–	–	–	513,721
Treasury shares							
At 1 January 2018		–	–	–	–	**(14,159)**	**(14,159)**
At 31 December 2018		–	–	–	–	**(14,159)**	**(14,159)**
At 1 January 2017		–	–	–	–	(14,159)	(14,159)
At 31 December 2017		–	–	–	–	(14,159)	(14,159)
At 31 December 2018		**461,790**	**1,629,059**	**3,957**	**641,630**	**786,102**	**3,522,538**
At 31 December 2017		450,160	1,628,994	1,561	689,084	682,855	3,452,654
Equity of non-controlling interest							
At 1 January 2018		**5,109**	–	–	–	–	**5,109**
Comprehensive income for the year		**527**	–	–	–	–	**527**
At 31 December 2018		**5,636**	–	–	–	–	**5,636**
At 1 January 2017		4,942	–	–	–	–	4,942
Comprehensive income for the year		167	–	–	–	–	167
At 31 December 2017		5,109	–	–	–	–	5,109
Total at 31 December 2018		**467,426**	**1,629,059**	**3,957**	**641,630**	**786,102**	**3,528,174**
Total at 31 December 2017		455,269	1,628,994	1,561	689,084	682,855	3,457,763

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Net surplus after contribution to Central Co-operative Fund and Singapore Labour Foundation		**154,430**	350,884
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		**21,922**	14,520
Depreciation of property, plant and equipment	5	**3,159**	3,022
Amortisation of bonds, borrowing and finance cost		**1,033**	(3,394)
Amortisation of intangible assets	6	**15,260**	13,622
Interest income	23	**(41,481)**	(39,108)
Dividend income	23	**(309,101)**	(262,961)
Interest expense		**31,495**	29,183
Loss / (gain) on changes in fair value of other financial assets	23	**169,131**	(1,884,453)
Loss / (gain) on changes in fair value of derivatives	23	**84,247**	(607,473)
Gain on changes in fair value of investment properties	23	**(49,357)**	(92,760)
Loss on disposal of investment properties	23	**15**	238
Allowance for impairment made during the year		**–**	14,573
Allowance for doubtful loans written back	23	**(42)**	(173)
Loans (written back) / written off	23	**(53)**	69
Allowance for doubtful receivables made during the year	16	**212**	684
Bonus to policyholders		**266,066**	264,933
(Increase) / decrease in reinsurers' share of insurance contract provision		**(10,996)**	2,311
Increase in insurance contract provisions		**467,371**	2,585,620
Share of profit of associated companies and joint venture		**(70,160)**	(10,815)
Other income		**(128,505)**	–
Other non-cash adjustment		**557**	133
Operating cash flows before changes in working capital		**605,203**	378,655
Changes in working capital:			
Insurance and other receivables		**(44,128)**	98,978
Insurance and other payables		**74,209**	161,494
Investment contract liabilities		**(3,215)**	(3,198)
Cash used in operations		**632,069**	635,929
Net cash flows from operating activities		**632,069**	635,929
Cash flows from investing activities			
Purchase of property, plant and equipment	5	**(5,187)**	(2,757)
Purchase of intangible assets	6	**(26,090)**	(24,756)
Purchase of investment properties	7	**(1,836)**	(215)
Proceeds from disposal of associates		**2,296**	–
Proceeds from disposal of investment properties		**1,205**	1,224
Proceeds from disposal of property, plant and equipment and intangible assets		**–**	116
Interest received		**726,399**	672,320
Dividends received		**309,902**	261,584
Increase in other financial assets and derivative instruments (net)		**(1,498,362)**	(1,883,068)
Increase / (decrease) in loans		**3,556**	(1,621)
Net cash flows used in investing activities		**(488,117)**	(977,173)

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

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	2018 $'000	2017 $'000
Cash flows from financing activities			
Proceeds from issuance of common shares	20	**1,749**	331,122
Redemption of common shares	20	**(1,453)**	(887)
Dividends paid	27	**(52,563)**	(37,844)
Interest paid		**(32,892)**	(30,110)
Net cash flows (used in) / from financing activities		**(85,159)**	262,281
Net decrease in cash and cash equivalents		**58,793**	(78,963)
Cash and cash equivalents at beginning of the year		**585,761**	664,724
Cash and cash equivalents at end of the year	17	**644,554**	585,761

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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, 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 2018 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 the Financial Reporting Standards in Singapore ("FRSs"), 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 made are disclosed in Note 3. At the 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 2018, 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 2018

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 include 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.

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 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Insurance contracts (continued)

(i) Recognition and measurement (continued)

Life Insurance Contracts (continued)

Claims (continued)

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. The measurement bases for investment-linked 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 liabilities are included in profit or loss.

(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 2018

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.

Premiums received in advance before commencement date of insurance cover 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 insurance cover commences.

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 2018

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 or 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.

(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)).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue (continued)

Fee and other income (continued)

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 Fund.

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.

(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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 or 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.

Business combinations

The acquisition method in accordance with FRS 103 *Business Combinations* 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Business combinations (continued)

Acquisition-related costs are expensed as incurred.

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

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

Transactions with non-controlling interests

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

(ii) Joint ventures

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

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

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

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint 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.

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

Gains or 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Basis of consolidation (continued)

(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 companies over the Group's share of the fair value of the identifiable net assets of the associated companies 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 companies equals or exceeds its interest in the associated companies, the Group does not recognise further losses, unless it has legal or constructive obligations or has made payments on behalf of the associated companies. If the associated companies subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

Accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

(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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

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 net 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.

(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 net 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investment and other financial assets (continued)

(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.

(ii) Loans and receivables

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

(iii) Available-for-sale investments

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

(iv) Recognition, measurement, derecognition and disclosure

Purchases and sales of 'regular way' financial instruments are recognised on trade date, which is when the Group commits to purchase or sell the assets. Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or when the financial assets have been transferred, together with substantially all the risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in 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 or 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 available-for-sale financial assets 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 or 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 2018

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.

Available-for-sale financial assets

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of assets (continued)

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.

(r) Financial liabilities

Borrowings

Borrowings within the scope of FRS 39 *Financial Instruments: Recognition and Measurement* 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 less 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Share capital and treasury shares

Paid-up shares consist of Common and Permanent Shares and are classified as equity. Although Common Shares 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 and Permanent 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.

(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.

(w) Deferral of FRS 109 Financial Instruments

The Group has decided to apply the temporary exemption from FRS 109 permitted under the Amendments to FRS 104 *Insurance Contracts*, and defer its implementation of FRS 109 until FRS 117 *Insurance Contracts* that replaces FRS 104 is effective. The Group assessed that it has qualified for the temporary exemption as the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant compared to the total carrying amount of all its liabilities; and that the total carrying amount of its liabilities connected with insurance is above 90% of its total liabilities as at 31 December 2015. There were no changes in the Group's activities after this date, hence no reassessment was required at subsequent reporting year-ends.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

Valuation methodology

Assumptions

Liabilities are computed using the prospective cash flow method. Assumptions are set by the Group's Appointed Actuary and 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance contract provisions for Life Insurance (continued)

Valuation methodology (continued)

Discount Rates

The discount rates used in the Life Insurance Non-Par Fund are derived from the yields of Singapore Government Securities. The discount rates used in the Life Insurance Par Fund are derived based on the expected prospective long-term investment 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 ("MAS").

Future Bonuses

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

Assumption table

The table below 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.

2018	
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	2018 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 2018, the Group has updated the liability valuation assumptions as compared to 1 January 2018. 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	(155,603)	-1.3%
Non-Par	(17,154)	-0.7%
Investment-Linked	21	4.0%

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance contract provisions for General Insurance

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

These liabilities comprise:

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

Valuation methodology

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

The valuation process involves using the Group's claims and policy data to estimate future claims experience. These insurance liabilities have been derived on a gross basis and are subsequently adjusted for reinsurance 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 2018, 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	(76,388)	-22.5%

The table above summarises the effect of changing assumptions on 2017 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 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 general insurance liabilities are not discounted.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance contract provisions for General Insurance (continued)

Gross liabilities

The gross claims liability as at 31 December 2018 is $479 million (2017: $476 million) as compared to net claims liability of $437 million (2017: $445 million).

The gross premium liability as at 31 December 2018 is $189 million (2017: $188 million) as compared to net premium liability of $188 million (2017: $188 million).

Development and movement of general insurance claim liabilities

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

Claims development table 2018											$'000
Accident year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
End of accident year	244,656	212,240	212,084	219,707	220,631	217,330	224,563	245,677	259,533	272,379	
1 year later	226,472	186,768	196,745	216,590	215,523	204,892	206,268	230,753	244,141		
2 years later	222,855	177,787	190,208	204,478	197,808	172,741	180,470	214,483			
3 years later	215,323	171,039	174,294	187,817	163,440	149,658	169,599				
4 years later	212,516	163,020	165,455	158,111	149,365	139,066					
5 years later and beyond	200,416	153,245	144,145	147,800	142,404						
Estimate of gross cumulative claims	200,416	153,245	144,145	147,800	142,404	139,066	169,599	214,483	244,141	272,379	1,827,678
Cumulative claim payments	200,002	152,517	141,482	145,005	136,183	127,990	136,006	150,807	148,750	89,700	1,428,442
Estimate of gross claim liabilities	414	728	2,663	2,795	6,221	11,076	33,593	63,676	95,391	182,679	399,236
Claims handling expenses	22	39	144	151	336	598	1,815	3,439	5,153	9,867	21,564
Estimate of gross claim liability before recoveries	436	767	2,807	2,946	6,557	11,674	35,408	67,115	100,544	192,546	420,800
Estimate of gross claim liabilities for prior accident years											1,901
Recoveries and other adjustments											2,760
Provisions for adverse deviation											53,902
Gross claim liabilities											479,363

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance contract provisions for General Insurance (continued)

Development and movement of general insurance claim liabilities (continued)

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

Claims development table 2018											**$'000**
Accident year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**Total**
End of accident year	226,742	197,095	195,975	205,790	207,360	204,499	209,542	227,849	241,377	247,778	
1 year later	210,311	172,582	184,283	203,562	202,798	191,188	191,300	214,611	222,091		
2 years later	205,928	166,526	178,766	192,406	184,577	160,206	167,845	195,111			
3 years later	201,684	160,751	164,004	175,255	151,580	139,189	154,281				
4 years later	199,733	153,395	154,389	146,638	138,916	126,506					
5 years later and beyond	185,873	142,124	133,685	137,461	129,543						
Estimate of net cumulative claims	185,873	142,124	133,685	137,461	129,543	126,506	154,281	195,111	222,091	247,778	1,674,453
Cumulative net claim payments	185,496	141,463	131,263	134,919	123,883	116,430	123,722	137,186	135,315	81,599	1,311,276
Estimate of net claim liabilities	377	661	2,422	2,542	5,660	10,076	30,559	57,925	86,776	166,179	363,177
Claims handling expenses	22	39	144	151	336	598	1,815	3,439	5,153	9,867	21,564
Estimate of net claim liability before recoveries	399	700	2,566	2,693	5,996	10,674	32,374	61,364	91,929	176,046	384,741
Estimate of net claim liabilities for prior accident years											1,738
Recoveries and other adjustments											2,123
Provisions for adverse deviation											48,478
Net claim liabilities											437,080

Fair value of financial instruments and investment properties

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

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 $119,019,000 (2017: $117,673,000) which is above its share redemption value of $20,000,000 (2017: $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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(a) Life Insurance Contracts Risk Management (continued)

Sensitivity Analysis

(i) Life Insurance Par Fund

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

		2018		2017	
Assumption	**Change**	**Impact on liabilities $'000**	**Impact on liabilities %**	**Impact on liabilities $'000**	**Impact on liabilities %**
Interest rates	+100 bps	**–**	**0%**	–	0%
	-100 bps	**2,182,376**	**8.4%**	1,737,365	6.8%
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 rates (the corresponding amount will be recognised as 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 2018

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.

		2018		2017	
Assumption	**Change**	**Impact on liabilities $'000**	**Impact on liabilities %**	**Impact on liabilities $'000**	**Impact on liabilities %**
Interest rates	+100 bps	**(395,953)**	**-15.4%**	(378,441)	-16.2%
	-100 bps	**609,789**	**23.7%**	586,305	25.1%
Mortality / morbidity	ElderShield: +11.1% Morbidity DPS: +5% Mortality Non-Par Life: +20% Mortality Group & Health: +20% Morbidity	**156,714**	**6.1%**	146,359	6.3%
	ElderShield: -11.1% Morbidity DPS: -5% Mortality Non-Par Life: -20% Mortality Group & Health: -20% Morbidity	**(93,030)**	**-3.6%**	(90,617)	-3.9%
Lapses	ElderShield: +50bps DPS: +50bps Non-Par Life:+20%	**(14,672)**	**-0.6%**	(14,754)	-0.6%
	ElderShield: -50bps DPS: -50bps Non-Par Life: -20%	**16,529**	**0.6%**	16,195	0.7%

For the Life Insurance Non-Par Fund, the analysis is done with respect to the liabilities of the fund, a corresponding amount will be recognised as surplus/deficit to the Life Insurance Non-Par Fund.

(iii) Investment-Linked Fund

To understand the risks undertaken by the Group in the Investment-Linked Fund, the following sensitivity analysis is done to measure the impact on the Group's liabilities.

		2018		2017	
Assumption	**Change**	**Impact on liabilities $'000**	**Impact on liabilities %**	**Impact on liabilities $'000**	**Impact on liabilities %**
Interest rates	+100 bps	**(101)**	**-19.4%**	(38)	-14.7%
	-100 bps	**156**	**30.0%**	51	19.7%
Mortality	+20%	**29**	**5.6%**	(2)	-0.8%
	-20%	**(26)**	**-5.1%**	3	1.0%
Lapses	+20%	**(55)**	**-10.5%**	(29)	-11.0%
	-20%	**66**	**12.7%**	35	13.4%

For the Investment-Linked Fund, the analysis is done with respect to the liabilities of the fund, a corresponding amount will be recognised as surplus/deficit to the Investment-Linked Non Unit Fund.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) General Insurance Contracts Risk Management

General Insurance Risks

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

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

Terms and Conditions of General Insurance Contracts

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

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

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 Work Injury Compensation 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) General Insurance Contracts Risk Management (continued)

Objectives of managing risks and policies for mitigating risks (continued)

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 75% (2017: 75%) of the Group's general insurance portfolio is motor insurance with risks well diversified across private cars, commercial vehicles, motorcycles, buses and taxis.

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), and the corresponding amount will be recognised as surplus/deficit to the General Insurance Fund:

		2018		2017	
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%	**72,003**	**12%**	72,158	11%
	-20%	**(72,003)**	**-12%**	(72,158)	-11%

(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 liquidity, 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 2018

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 listed investments held which are classified as fair value through profit or loss and available-for-sale.

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 Morgan Stanley Capital International Index ("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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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:

	2018	
	Impact on net operating surplus $'000	Impact on equity $'000
MSCI Singapore		
+10%	**171,805**	**7,587**
– 10%	**(171,805)**	**(7,587)**
MSCI Asia Ex-Japan		
+10%	**152,861**	**–**
– 10%	**(152,861)**	**–**
MSCI Global Equities		
+10%	**192,541**	**10,074**
– 10%	**(192,541)**	**(10,074)**

	2017	
	Impact on net operating surplus $'000	Impact on equity $'000
MSCI Singapore		
+10%	147,273	3,875
– 10%	(147,273)	(3,875)
MSCI Asia Ex-Japan		
+10%	153,456	5,298
– 10%	(153,456)	(5,298)
MSCI Global Equities		
+10%	235,452	6,261
– 10%	(235,452)	(6,261)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk

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

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

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

The Group reduces interest rate risk through the close matching of assets and guaranteed liabilities of insurance funds. In this respect, the Group is able to use derivative instruments, including interest rate and cross currency swaps, to manage 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.

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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk (continued)

The table below summarises the impact on net operating surplus and equity based on a 100bps parallel shift in the yield curves:

	2018	
	Impact on net operating surplus $'000	Impact on equity $'000
Parallel shift in yield curves		
+100 bps	**(1,514,706)**	**(35,268)**
-100 bps	**1,776,400**	**39,925**

	2017	
	Impact on net operating surplus $'000	Impact on equity $'000
Parallel shift in yield curves		
+100 bps	(1,321,101)	(36,955)
-100 bps	1,514,248	39,742

(c) Foreign currency risk

The Group operates mainly in Singapore, with over 99% (2017: 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 securities are managed using foreign exchange forward contracts and cross currency swaps.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

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

	2018					
Assets	**USD $'000**	**EUR $'000**	**HKD $'000**	**GBP $'000**	**JPY $'000**	**Others $'000**
Investments						
– Equities	**860,656**	**233,219**	**533,553**	**188,828**	**15,979**	**933,862**
– Debt securities	**5,904,663**	**414,855**	**–**	**86,319**	**37,443**	**5,240**
– Funds	**1,839,984**	**611,017**	**13,498**	**6,876**	**15,338**	**68,056**
– Investment receivables	**13,573**	**–**	**7,335**	**394**	**66**	**2,983**
Cash and cash equivalents	**114,004**	**6,000**	**1,854**	**2,192**	**429**	**10,131**
Liabilities						
– Investment creditors	**(50,523)**	**–**	**(6,433)**	**–**	**–**	**(1,669)**
Total	**8,682,357**	**1,265,091**	**549,807**	**284,609**	**69,255**	**1,018,603**
Less:						
Derivative contracts (net currency exposure)	**(8,287,677)**	**(1,340,799)**	**(537,780)**	**(335,473)**	**(137,494)**	**(1,061,067)**
Net foreign currency risk exposure	**394,680**	**(75,708)**	**12,027**	**(50,864)**	**(68,239)**	**(42,464)**

	2017					
Assets	**USD $'000**	**EUR $'000**	**HKD $'000**	**GBP $'000**	**JPY $'000**	**Others $'000**
Investments						
– Equities	906,874	234,491	534,957	214,784	9,171	948,095
– Debt securities	5,357,710	381,230	–	100,389	–	50,945
– Funds	2,025,385	581,666	53,871	9,440	11,417	66,812
– Investment receivables	3,596	17	37	552	37	262
Cash and cash equivalents	148,038	2,369	1,218	5,776	173	9,695
Liabilities						
– Investment creditors	(44,618)	–	–	–	–	–
Total	8,396,985	1,199,773	590,083	330,941	20,798	1,075,809
Less:						
Derivative contracts (net currency exposure)	(7,766,980)	(1,329,805)	(557,878)	(383,702)	(112,727)	(1,205,703)
Net foreign currency risk exposure	630,005	(130,032)	32,205	(52,761)	(91,929)	(129,894)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

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% (2017: ±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:

		2018	
Currency		Impact on net operating surplus $'000	Impact on equity $'000
USD	2% strengthening	**(19,632)**	**27,526**
	2% weakening	**19,632**	**(27,526)**
EUR	2% strengthening	**(14,613)**	**13,099**
	2% weakening	**14,613**	**(13,099)**
HKD	2% strengthening	**241**	*
	2% weakening	**(241)**	*
GBP	2% strengthening	**(1,342)**	**324**
	2% weakening	**1,342**	**(324)**
JPY	2% strengthening	**(1,672)**	**307**
	2% weakening	**1,672**	**(307)**

* less than $1,000

		2017	
Currency		Impact on net operating surplus $'000	Impact on equity $'000
USD	2% strengthening	(14,331)	26,931
	2% weakening	14,331	(26,931)
EUR	2% strengthening	(14,796)	12,195
	2% weakening	14,796	(12,195)
HKD	2% strengthening	(10)	654
	2% weakening	10	(654)
GBP	2% strengthening	(1,404)	349
	2% weakening	1,404	(349)
JPY	2% strengthening	(2,067)	228
	2% weakening	2,067	(228)

Notes to the Financial Statements

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(ii) Credit risk

Credit risk is the risk arising from the uncertainty of an obligor's ability to fulfil its contractual obligations to the Group. The risk gives rise to financial losses as a result of default of an obligor or deterioration in its credit quality. The obligors include security issuers, derivatives transactional counterparties, policyholders, reinsurers, brokers and other intermediaries such as exchange / clearing houses.

Credit risk management is incorporated in the management of the Group's investments and business activities, and entails credit quality controls, credit risk limits and active monitoring of exposures against these limits with ongoing effort to manage breaches or deviations.

The Risk Management Committee approves and reviews on a regular basis the credit risk management framework including the limits and methodology, and provides oversight of credit risk taken by the Group to ensure it is consistent with the investment and business strategies approved by the Board.

Evaluation of an issuer's or counterparty's credit risk is undertaken by credit origination business units. Monitoring of credit and concentration risk is carried out by Risk Management. Overall investment limits monitoring is put 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 2018 is nil (2017: nil).

The consumer loan portfolio as at 31 December 2018 amounts to $22 million, net of impairment (2017: $23 million). This is made up of secured and unsecured loans of which about 99% (2017: 99%) 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 2018

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:

	2018					
		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	**23,190,596**	**–**	**–**	**–**	**23,190,596**	**–**
Loans	**692,293**	**139**	**16**	**66**	**692,514**	**74**
Derivatives with positive fair values	**130,249**	**–**	**–**	**–**	**130,249**	**–**
Reinsurers' share of insurance contract provisions	**43,302**	**–**	**–**	**–**	**43,302**	**–**
Insurance and other receivables	**221,409**	**87,853**	**15,466**	**1,794**	**326,522**	**3,330**
Cash and cash equivalents	**644,554**	**–**	**–**	**–**	**644,554**	**–**

	2017					
		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	22,934,587	–	–	–	22,934,587	–
Loans	695,883	14	7	71	695,975	116
Derivatives with positive fair values	151,124	–	–	–	151,124	–
Reinsurers' share of insurance contract provisions	32,306	–	–	–	32,306	–
Insurance and other receivables	169,117	96,056	15,399	–	280,572	3,118
Cash and cash equivalents	585,761	–	–	–	585,761	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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:

	2018			
	Investment Grade (AAA to BBB-) $'000	Below Investment Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Debt securities	**17,506,418**	**386,585**	**5,297,593**	**23,190,596**
Loans	**–**	**–**	**692,514**	**692,514**
Derivatives with positive fair values	**–**	**–**	**130,249**	**130,249**
Cash and cash equivalents	**644,554**	**–**	**–**	**644,554**

	2017			
	Investment Grade (AAA to BBB-) $'000	Below Investment Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Debt securities	18,033,655	58,470	4,842,462	22,934,587
Loans	–	–	695,975	695,975
Derivatives with positive fair values	–	–	151,124	151,124
Cash and cash equivalents	585,761	–	–	585,761

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 MAS 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 2018

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 Par Fund, the Group manages liquidity risk by matching the asset cash flows to the cumulative outflows in the immediate next two 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 Fund, the liabilities and unit prices for transactions fully reflect the market value of assets held in the respective Investment-Linked policies sub-funds. A significant portion of the assets are liquid assets which can be easily liquidated to fund liquidation of units by unit-holders.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(iii) Liquidity risk (continued)

The table below shows the gross liability including both guaranteed and non-guaranteed benefits (before reinsurance) as at 31 December 2018 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.

	2018				
	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Long Term business					
– Insurance contracts	**(31,378,764)**	**(2,933,113)**	**(4,905,717)**	**(8,125,278)**	**(15,414,656)**
– Investment contracts	**(7,239)**	**(3,280)**	**(3,959)**	**–**	**–**
Total	**(31,386,003)**	**(2,936,393)**	**(4,909,676)**	**(8,125,278)**	**(15,414,656)**

	2017				
	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Long Term business					
– Insurance contracts	(30,645,327)	(2,940,175)	(4,788,917)	(7,708,112)	(15,208,123)
– Investment contracts	(10,454)	(3,322)	(7,132)	–	–
Total	(30,655,781)	(2,943,497)	(4,796,049)	(7,708,112)	(15,208,123)

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

	2018				
	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Derivative financial instruments	**(94,295)**	**(36,660)**	**(44,047)**	**(13,586)**	**(2)**
Insurance and other payables	**(1,204,046)**	**(1,157,814)**	**(42,069)**	**(3,401)**	**(762)**
Borrowings (include interest)	**(1,145,108)**	**(34,815)**	**(1,110,293)**	**–**	**–**

	2017				
	Total $'000	Within 1 year $'000	1 – 5 years $'000	6 – 15 years $'000	Over 15 years $'000
Derivative financial instruments	(104,639)	(49,618)	(40,925)	(14,032)	(64)
Insurance and other payables	(1,109,312)	(1,067,734)	(37,147)	(3,268)	(1,163)
Borrowings (include interest)	(1,179,976)	(31,508)	(1,148,468)	–	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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:

	2018					
	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
Loans and receivables	**1,266,472**	**118,044**	**71,556**	**68,813**	**138,705**	**1,663,590**
Financial liabilities	**1,250,416**	**147,093**	**47,042**	**130,136**	**646,085**	**2,220,772**

	2017					
	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
Loans and receivables	1,241,324	73,248	77,769	72,869	97,098	1,562,308
Financial liabilities	1,199,349	121,905	53,335	106,061	644,355	2,125,005

(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 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 2018 comprised available capital of $10.3 billion, risk capital of $3.8 billion and capital adequacy ratio of 273%. The amounts as at 31 December 2017 comprised available capital of $10.1 billion, risk capital of $3.6 billion and capital adequacy ratio of 282%.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(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).

	2018			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments designated at fair value through profit or loss				
– Equities	**4,910,958**	**21**	**–**	**4,910,979**
– Funds	**2,360,311**	**–**	**–**	**2,360,311**
– Debt securities	**22,545,127**	**14,627**	**801**	**22,560,555**
Available-for-sale investments				
– Equities	**73,398**	**–**	**43,242**	**116,640**
– Funds	**96,501**	**–**	**1,935,472**	**2,031,973**
– Debt securities	**630,041**	**–**	**–**	**630,041**
	30,616,336	**14,648**	**1,979,515**	**32,610,499**
– Derivative financial instruments	**4,700**	**125,549**	**–**	**130,249**
	30,621,036	**140,197**	**1,979,515**	**32,740,748**
Liabilities				
– Derivative financial instruments	**(5,202)**	**(62,349)**	**–**	**(67,551)**

	2017			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments designated at fair value through profit or loss				
– Equities	4,773,007	2	–	4,773,009
– Funds	2,431,785	–	–	2,431,785
– Debt securities	21,924,457	331,068	902	22,256,427
Available-for-sale investments				
– Equities	85,376	4	41,538	126,918
– Funds	63,866	–	1,746,242	1,810,108
– Debt securities	666,082	12,078	–	678,160
	29,944,573	343,152	1,788,682	32,076,407
– Derivative financial instruments	3,193	147,931	–	151,124
	29,947,766	491,083	1,788,682	32,227,531
Liabilities				
– Derivative financial instruments	(1,359)	(77,943)	–	(79,302)

The fair value of Level 1 financial instruments, which are 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.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

The fair value of Level 2 financial instruments, which 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. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in Level 3.

The Group recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

During the financial year ended 31 December 2018, the Group's investments in debt securities measured at fair value through profit or loss or as available-for-sale were transferred from level 2 to level 1 due to the availability of additional pricing sources. The carrying amount of these transferred investments as at 31 December 2018 were $85.7 million and $8.0 million respectively. There were no transfers from Level 1 to Level 2 in 2018 and no transfers in either direction in 2017.

The following table presents the changes in Level 3 instruments:

	2018			
	Fair value through profit or loss	Available-for-sale investments		
	Debt securities $'000	Unquoted funds $'000	Unquoted equities $'000	Total $'000
At 1 January	**902**	**1,746,242**	**41,538**	**1,788,682**
Sales of Level 3 securities	**–**	**(250,461)**	**–**	**(250,461)**
Purchases of Level 3 securities	**–**	**290,689**	**–**	**290,689**
Revaluation reserve	**–**	**39,396**	**1,838**	**41,234**
Gains or losses recognised in profit or loss	**(101)**	**109,606**	**(134)**	**109,371**
At 31 December	**801**	**1,935,472**	**43,242**	**1,979,515**

During the financial year ended 31 December 2018, there was no transfer of investments in and out of Level 3 of the fair value hierarchy.

	2017			
	Fair value through profit or loss	Available-for-sale investments		
	Debt securities $'000	Unquoted funds $'000	Unquoted equities $'000	Total $'000
At 1 January	1,117	1,516,449	42,548	1,560,114
Sales of Level 3 securities	–	(311,573)	–	(311,573)
Purchases of Level 3 securities	–	440,746	–	440,746
Revaluation reserve	–	3,637	(1,144)	2,493
Gains or losses recognised in profit or loss	(215)	96,983	134	96,902
At 31 December	902	1,746,242	41,538	1,788,682

During the financial year ended 31 December 2017, there was no transfer of investments in and out of Level 3 of the fair value hierarchy.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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:

	2018			
	Fair value $'000	Classification	Valuation technique	Unobservable Input
Assets				
Debt securities	**801**	**FVPL[(a)]**	**Dealers' Quotes**	**Default / recovery / prepay / liquidity assumptions**
Unquoted funds	**1,935,472**	**AFS[(b)]**	**Net Asset Value**	**Net asset value of investment vehicles**
Unquoted equities	**43,242**	**AFS[(b)]**	**Net Asset Value**	**Net asset value of investment entities**
Total	**1,979,515**			

	2017			
	Fair value $'000	Classification	Valuation technique	Unobservable Input
Assets				
Debt securities	902	FVPL[(a)]	Dealers' Quotes	Default / recovery / prepay / liquidity assumptions
Unquoted funds	1,746,242	AFS[(b)]	Net Asset Value	Net asset value of investment vehicles
Unquoted equities	41,538	AFS[(b)]	Net Asset Value	Net asset value of investment entities
Total	1,788,682			

(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 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 funds were based on net asset value reports as at 30 September 2018, adjusted for the net cash flows movement from 1 October 2018 until 31 December 2018. If a discount of 0.4% (2017: premium of 2.2%) had been applied, the impact on the valuation would have been $7.74 million (2017: $38.41 million).

Valuation of unquoted equities that are co-operatives were valued at cost as set out in their By-laws, subjected to impairment assessment. Other unquoted equities were valued based on net tangible assets of their latest management accounts. If a premium of 2.8% (2017: 3.0%) has been applied, the impact on the valuation would have been $1.09 million (2017: $1.16 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 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Investment properties

	2018 $'000	2017 $'000
Life Insurance Par Fund		
At 1 January	**1,870,001**	1,779,708
Additions	**1,836**	215
Disposals	**–**	(1,462)
Asset held for sale	**–**	(1,220)
Change in net fair value recognised in profit or loss	**49,357**	92,760
At 31 December	**1,921,194**	1,870,001

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

Fair value hierarchy

	Fair value measurements at 31 December 2018 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	**–**	**–**	**1,921,194**

During the financial year ended 31 December 2018, 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 measurements at 31 December 2017 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	–	–	1,870,001

During the financial year ended 31 December 2017, 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 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Investment properties (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 investment properties categorised under Level 3 of the fair value hierarchy which involves significant unobservable inputs:

Description	Fair value at 31 December 2018 $'000	Valuation techniques	Unobservable inputs[1]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Investment properties	1,921,194	Income Capitalisation Approach	Estimated rental rate	Retail: $6.3 to $20 per square foot per month Office / Industrial: $2 to $10 per square foot per month	The higher the rental value per square foot, the higher the fair value.
			Capitalisation rate	3.25% to 6.25%	The higher the capitalisation rate, the lower the fair value.
		Discounted Cash Flow Approach	Rental growth rate	1.2% to 7%	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: $1,187 to $3,555 per square foot Office / Industrial: $130 to $3,061 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.

Description	Fair value at 31 December 2017 $'000	Valuation techniques	Unobservable inputs[1]	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Completed Investment properties	1,870,001	Income Capitalisation Approach	Estimated rental rate	Retail: $8 to $18 per square foot per month Office / Industrial: $2 to $9 per square foot per month	The higher the rental value per square foot, the higher the fair value.
			Capitalisation rate	3.5% to 6.5%	The higher the capitalisation rate, the lower the fair value.
		Discounted Cash Flow Approach	Rental growth rate	3% to 3.25%	The higher the rental growth rate, the higher the fair value.
			Discount rate	6.5% to 7.25%	The higher the discount rate, the lower the fair value.
		Direct Comparison Approach	Valuation per square foot	Retail: $4,180 to $5,964 per square foot Office / Industrial: $260 to $3,819 per square foot	The higher the valuation per square foot, the higher the fair value.

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

Financial asset / liabilities not carried at fair value

Loans

The fair value of consumer loans is 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:

	2018		
	Life Insurance Par Fund		Interest rate used
	Carrying value $'000	Fair value $'000	
Consumer loans	**21,670**	**19,132**	**3.65%**

	2017		
	Life Insurance Par Fund		Interest rate used
	Carrying value $'000	Fair value $'000	
Consumer loans	23,463	19,945	3.65%

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(f) Fair value measurements (continued)

Financial asset / liabilities not carried at fair value (continued)

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:

	2018						
	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	**6,215**	**5,427**	**26,844**	**24,487**	**–**	**–**	**3.65%**
Investments and other payables	**13,173**	**12,350**	**–**	**–**	**–**	**–**	**3.65%**
Total	**19,388**	**17,777**	**26,844**	**24,487**	**–**	**–**	

	2017						
	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	6,888	6,029	21,567	19,615	–	–	3.65%
Investments and other payables	13,054	12,348	–	–	1	1	3.65%
Total	19,942	18,377	21,567	19,615	1	1	

* The fair value of insurance and other payables to be settled within the next 12 months are not presented as the carrying values approximate their fair values.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PROPERTY, PLANT AND EQUIPMENT

	2018				
	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Life Insurance Par Fund					
Cost					
At 1 January 2018	**1,989**	**21,369**	**17,049**	**1,016**	**41,423**
Additions	**80**	**1,559**	**3,263**	**74**	**4,976**
Disposals	**(40)**	**–**	**(1,007)**	**(95)**	**(1,142)**
At 31 December 2018	**2,029**	**22,928**	**19,305**	**995**	**45,257**
Accumulated depreciation					
At 1 January 2018	**1,477**	**19,348**	**11,404**	**663**	**32,892**
Charge for the year	**161**	**816**	**2,008**	**141**	**3,126**
Disposals	**(40)**	**–**	**(1,007)**	**(95)**	**(1,142)**
At 31 December 2018	**1,598**	**20,164**	**12,405**	**709**	**34,876**
Carrying amount					
At 31 December 2018	**431**	**2,764**	**6,900**	**286**	**10,381**

	2017				
	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Life Insurance Par Fund					
Cost					
At 1 January 2017	1,963	20,604	15,655	1,233	39,455
Additions	126	765	1,866	–	2,757
Disposals	(100)	–	(472)	(217)	(789)
At 31 December 2017	1,989	21,369	17,049	1,016	41,423
Accumulated depreciation					
At 1 January 2017	1,444	18,297	10,060	742	30,543
Charge for the year	133	1,051	1,700	138	3,022
Disposals	(100)	–	(356)	(217)	(673)
At 31 December 2017	1,477	19,348	11,404	663	32,892
Carrying amount					
At 31 December 2017	512	2,021	5,645	353	8,531

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2018				
	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
<u>**Shareholders' Fund**</u>					
Cost					
At 1 January 2018	–	–	–	–	–
Additions	13	153	45	–	211
Disposals	–	–	–	–	–
At 31 December 2018	13	153	45	–	211
Accumulated depreciation					
At 1 January 2018	–	–	–	–	–
Charge for the year	3	27	3	–	33
Disposals	–	–	–	–	–
At 31 December 2018	3	27	3	–	33
Carrying amount					
At 31 December 2018	10	126	42	–	178

	2017				
	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
<u>**Shareholders' Fund**</u>					
Cost					
At 1 January 2017	–	–	–	–	–
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
At 31 December 2017	–	–	–	–	–
Accumulated depreciation					
At 1 January 2017	–	–	–	–	–
Charge for the year	–	–	–	–	–
Disposals	–	–	–	–	–
At 31 December 2017	–	–	–	–	–
Carrying amount					
At 31 December 2017	–	–	–	–	–

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 2018

6. INTANGIBLE ASSETS

	2018 $'000	2017 $'000
Life Insurance Par Fund		
Cost		
At 1 January	**132,722**	110,889
Additions	**20,344**	21,833
At 31 December	**153,066**	132,722
Accumulated amortisation		
At 1 January	**90,184**	77,803
Charge for the year	**14,133**	12,381
At 31 December	**104,317**	90,184
Carrying amount at 31 December	**48,749**	42,538
Life Insurance Non-Par Fund		
Cost		
At 1 January	**14,529**	14,414
Additions	**120**	115
At 31 December	**14,649**	14,529
Accumulated amortisation		
At 1 January	**13,999**	12,758
Charge for the year	**381**	1,241
At 31 December	**14,380**	13,999
Carrying amount at 31 December	**269**	530

	2018 $'000	2017 $'000
Shareholders' Fund		
Cost		
At 1 January	**2,808**	–
Additions	**5,626**	2,808
At 31 December	**8,434**	2,808
Accumulated amortisation		
At 1 January	**–**	–
Charge for the year	**746**	–
At 31 December	**746**	–
Carrying amount at 31 December	**7,688**	2,808

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 2018

7. INVESTMENT PROPERTIES

	2018 $'000	2017 $'000
Life Insurance Par Fund		
At 1 January	**1,870,001**	1,779,708
Additions	**1,836**	215
Disposals	**–**	(1,462)
Asset held for sales	**–**	(1,220)
Change in net fair value recognised in profit or loss	**49,357**	92,760
At 31 December	**1,921,194**	1,870,001

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 $763,900,000 (2017: $745,800,000) 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.

	2018 $'000	2017 $'000
Rental income	**91,582**	96,676
Direct operating expenses arising from investment properties that generated rental income	**(26,852)**	(27,299)

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 2018 are as follows:

Name	Principal activities	Interest held by Co-operative 2018 %	Interest held by Co-operative 2017 %
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	Operator of retail and referral services	**100**	100
NTUC Income Holdings Pte. Ltd.	Investment holding	**100**	100

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INVESTMENT IN JOINT VENTURE

	2018 $'000	2017 $'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 2018. 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	
			2018 %	2017 %
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	
	2018 $'000	2017 $'000
Current assets	**24,152**	16,864
Cash and cash equivalents	**8,986**	10,016
Current liabilities	**(175,657)**	(172,980)
Financial liabilities (excluding trade payables)	**(175,197)**	(172,276)
Other current liabilities (including trade payables)	**(460)**	(704)
Non-current assets	**980,715**	952,000
Non-current liabilities	**(615,061)**	(614,575)
Financial liabilities	**(605,449)**	(609,234)
Other liabilities	**(9,612)**	(5,341)
Net assets	**214,149**	181,309

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

9. INVESTMENT IN JOINT VENTURE (CONTINUED)

Summarised statement of comprehensive income

	Street Square Pte Ltd For the period from 1 October to 30 September	
	2018 $'000	**2017 $'000**
Revenue	**42,305**	39,247
Interest income	**57**	75
Expenses		
Includes:		
– Interest expense	**(26,739)**	(24,759)
Profit from continuing operations	**34,083**	1,025
Income tax expense	**(1,243)**	(1,855)
Post-tax profit / (loss) from continuing operations	**32,840**	(830)
Total comprehensive income	**32,840**	(830)
Dividends paid / declared	**–**	–

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	
	2018 $'000	**2017 $'000**
Net assets		
At 1 October 2017 / 2016	**181,309**	182,139
Profit / (Loss) for the year	**32,840**	(830)
Dividends paid / declared	**–**	–
At 30 September 2018 / 2017	**214,149**	181,309
Interest in joint venture (2018: 50%, 2017: 50%)	**107,075**	90,655
Carrying value	**107,075**	90,655

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10. INVESTMENT IN ASSOCIATED COMPANIES

	2018 $'000	2017 $'000
Life Insurance Par Fund		
Equity investment at cost	**235,787**	236,367

Set out below are the associated companies of the Group as at 31 December 2018. 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 their principal place of business.

Name of company	Country of incorporation	Principal activities	% of ownership interest	
			2018 %	2017 %
One Marina Property Services Pte Ltd[(a)*]	Singapore	Provision of facility management, project management, marketing and leasing services	–	20
Parkway Parade Partnership Ltd [(a)]	Singapore	Properties investment holding	**49**	49

(a) Financial year ends on 31 December

** Disposed during the year*

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

Summarised financial information for associated companies

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

Summarised financial position

	Parkway Parade Partnership Ltd As at 30 November	
	2018 $'000	2017 $'000
Current assets	**29,000**	29,800
Current liabilities	**(51,700)**	(55,900)
Non-current assets	**1,340,155**	1,244,300
Non-current liabilities	**(478,400)**	(477,700)
Net assets	**839,055**	740,500

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Summarised statement of comprehensive income

	Parkway Parade Partnership Ltd For the period from 1 December to 30 November	
	2018 $'000	2017 $'000
Revenue	**96,291**	94,995
Profit from continuing operations	**144,252**	71,793
Post-tax profit from continuing operations	**136,826**	65,318
Other comprehensive income	–	3
Total comprehensive income	**136,826**	65,321
Dividends paid / declared	**(38,271)**	(42,021)

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 Ltd As at 30 November	
	2018 $'000	2017 $'000
Net assets		
At 1 December 2017 / 2016	**740,500**	717,200
Profit for the year	**136,826**	65,318
Other comprehensive income	–	3
Dividends paid / declared	**(38,271)**	(42,021)
At 30 November 2018 / 2017	**839,055**	740,500
Interest in associated company (2018: 49%, 2017: 49%)	**407,393**	359,519
Carrying value	**407,393**	359,519
Add:		
Carrying value of individually immaterial associated companies	–	2,231
Carrying value of the Group's interest in associated companies	**407,393**	361,750

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

	2018 $'000	2017 $'000
Shareholders' Fund		
Equity investment at cost	**238,715**	110,210

Set out below is the associated companies of the Group as at 31 December 2018. 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 2018 %	2017 %
Direct associate:				
NTUC Choice Homes Co-operative Ltd[a]	Singapore	Property development	**25**	25
Indirect associate, held through fully-owned subsidiary:				
FFMC Holdings Pte Ltd[a]	Singapore	Asset management	**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 below is the summarised financial information of the associated companies based on the management accounts as at 30 September which is used for equity accounting, as this is the latest financial information available.

Summarised financial position

	NTUC Choice Homes Co-operative Ltd As at 30 September 2018 $'000	2017 $'000
Current assets	**15,199**	9,664
Current liabilities	**(625)**	(4,175)
Non-current assets	**455,001**	457,191
Non-current liabilities	–	–
Adjustments made to align with Group accounting policies	**(2,096)**	(492)
Net assets	**467,479**	462,188

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	
	2018 $'000	2017 $'000
Revenue	–	–
Profit from continuing operations	**9,091**	3,037
Adjustments made to align with Group accounting policies	**(2,113)**	14
Post-tax profit from continuing operations	**6,985**	3,067
Other comprehensive income	**–**	–
Total comprehensive income	**6,985**	3,067
Dividends paid / declared	**(1,694)**	(3,928)

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	
	2018 $'000	2017 $'000
Net assets		
At 1 October 2017 / 2016	**462,188**	463,049
Profit for the year	**6,985**	3,067
Other comprehensive income	**–**	–
Dividends paid / declared	**(1,694)**	(3,928)
At 30 September 2018 / 2017	**467,479**	462,188
Interest in associated company (2018: 25%, 2017: 25%)	**119,019**	117,673
Carrying value of the Group's interest	**119,019**	117,673

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

On 12 March 2018 the Group through its wholly-owned subsidiary NTUC Income Holdings Pte. Ltd., entered into a strategic partnership with Fullerton Fund Management Company ("Fullerton"). Under this partnership, Fullerton is now the investment manager of the Co-operative's assets and in exchange, the Group owns a 49% stake in Fullerton's holding company, FFMC Holdings Pte Ltd. The acquisition was completed with no cash consideration.

Summarised financial information for associated companies

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

Summarised financial position

	FFMC Holdings Pte Ltd As at 30 November
	2018 $'000
Current assets	62,591
Current liabilities	(29,917)
Non-current assets	21,501
Non-current liabilities	(7,057)
Net assets	47,118

Summarised statement of comprehensive income

	FFMC Holdings Pte Ltd For the period from 12 March to 30 November
	2018 $'000
Revenue	64,455
Profit from continuing operations	10,865
Post-tax profit from continuing operations	9,107
Other comprehensive income	(108)
Total comprehensive income	8,999
Dividends paid / declared	–

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 company, is as follows:

	FFMC Holdings Pte Ltd As at 30 November
	2018 $'000
Net assets	
At 12 March 2018 (date of acquisition)	22,519
Profit for the period	9,107
Other comprehensive income	(108)
Dividends paid / declared	–
Issuance of additional share capital	15,600
At 30 November 2018	47,118
Interest in associated company (2018: 49%, 2017: 0%)	23,087
Goodwill	4,582
Intangibles	105,245
Carrying value of the Group's interest	132,914

	2018 $'000	2017 $'000
NTUC Choice Homes Co-operative Ltd	119,019	117,673
FFMC Holdings Pte Ltd	132,914	–
Total carrying value of the Group's interest	251,933	117,673

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. OTHER FINANCIAL ASSETS

	2018					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	4,103,813	88,834	648,069	–	70,263	4,910,979
Funds	951,996	200,917	1,024,741	138,488	44,169	2,360,311
Debt securities	17,275,866	3,889,441	429,267	965,981	–	22,560,555
Total investments designated at fair value through profit or loss	22,331,675	4,179,192	2,102,077	1,104,469	114,432	29,831,845
Available-for-sale investments						
Quoted						
Equities	–	–	–	–	73,398	73,398
Funds	–	–	–	–	96,501	96,501
Debt securities	–	–	–	–	630,041	630,041
Unquoted						
Equities	40,018	–	–	–	3,224	43,242
Funds	1,559,058	44,035	–	221,517	110,862	1,935,472
Total available-for-sale investments	1,599,076	44,035	–	221,517	914,026	2,778,654
Total investments	23,930,751	4,223,227	2,102,077	1,325,986	1,028,458	32,610,499
Debt Securities						
To be settled within 12 months	1,213,909	39,921	29,062	282,679	19,968	1,585,539
To be settled after 12 months	16,061,957	3,849,520	400,205	683,302	610,073	21,605,057
	17,275,866	3,889,441	429,267	965,981	630,041	23,190,596
Equities and Funds						
No maturity date	6,654,885	333,786	1,672,810	360,005	398,417	9,419,903
Total	23,930,751	4,223,227	2,102,077	1,325,986	1,028,458	32,610,499

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. OTHER FINANCIAL ASSETS (CONTINUED)

	2017					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	4,006,630	–	701,885	2	64,492	4,773,009
Funds	1,205,058	1,106	944,790	176,879	103,952	2,431,785
Debt securities	16,809,338	3,995,601	447,323	992,328	11,837	22,256,427
Total investments designated at fair value through profit or loss	22,021,026	3,996,707	2,093,998	1,169,209	180,281	29,461,221
Available-for-sale investments						
Quoted						
Equities	–	–	–	–	85,380	85,380
Funds	–	–	–	–	63,866	63,866
Debt securities	–	–	–	–	678,160	678,160
Unquoted						
Equities	38,282	–	–	–	3,256	41,538
Funds	1,469,334	1,460	–	182,036	93,412	1,746,242
Total available-for-sale investments	1,507,616	1,460	–	182,036	924,074	2,615,186
Total investments	23,528,642	3,998,167	2,093,998	1,351,245	1,104,355	32,076,407
Debt Securities						
To be settled within 12 months	2,227,574	138,020	40,246	350,345	34,644	2,790,829
To be settled after 12 months	14,581,764	3,857,581	407,077	641,983	655,353	20,143,758
	16,809,338	3,995,601	447,323	992,328	689,997	22,934,587
Equities and Funds						
No maturity date	6,719,304	2,566	1,646,675	358,917	414,358	9,141,820
Total	23,528,642	3,998,167	2,093,998	1,351,245	1,104,355	32,076,407

Of the total debt securities, 93% (2017: 93%) represents investments in fixed rate instruments.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 funds by risk of concentration with respect to geographic region and industry focus of the funds.

	2018	
	% of the Investment in Funds	Fair value $'000
Industry focus		
Diversified financials	59%	2,573,594
Energy	2%	70,162
Real estate	39%	1,720,260
Telecommunication services	*	10,586
Industrials	*	556
Utilities	*	681
Materials	*	4,886
Information technology	*	11,559
	100%	4,392,284
Geographic region		
Asia Pacific	41%	1,787,564
Australia	3%	131,034
Europe	13%	600,626
North America	33%	1,446,860
Others	10%	426,200
	100%	4,392,284

* less than 1%

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

12. INVESTMENT IN FUNDS (CONTINUED)

	2017	
	% of the Investment in Funds	Fair value $'000
Industry focus		
Diversified financials	63%	2,645,326
Energy	1%	51,148
Real estate	36%	1,526,715
Telecommunication services	*	1,534
Industrials	*	13,545
Utilities	*	770
Materials	*	2,855
	100%	4,241,893
Geographic region		
Asia Pacific	35%	1,496,400
Australia	2%	66,812
Europe	14%	598,155
North America	36%	1,527,192
Others	13%	553,334
	100%	4,241,893

* less than 1%

13. LOANS

	2018					
	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 loan to joint venture						
– unsecured	**81,251**	–	–	–	–	**81,251**
Consumer loans	**21,710**	–	–	**34**	–	**21,744**
Loans on policies	**589,540**	**53**	–	–	–	**589,593**
Impairment loss	**(40)**	–	–	**(34)**	–	**(74)**
	692,461	**53**	–	–	–	**692,514**
To be settled within 12 months	**677,975**	**53**	–	–	–	**678,028**
To be settled after 12 months	**14,486**	–	–	–	–	**14,486**
	692,461	**53**	–	–	–	**692,514**

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13. LOANS (CONTINUED)

	2017					
	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 loan to joint venture						
– unsecured	81,251	–	–	–	–	81,251
Consumer loans	23,542	–	–	37	–	23,579
Loans on policies	591,210	51	–	–	–	591,261
Impairment loss	(79)	–	–	(37)	–	(116)
	695,924	51	–	–	–	695,975
To be settled within 12 months	678,024	51	–	–	–	678,075
To be settled after 12 months	17,900	–	–	–	–	17,900
	695,924	51	–	–	–	695,975

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 loan granted to a joint venture company.

Interest bearing loan to a joint venture company

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

	2018				
	Loan Balance $'000	Interest Rate %	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	**81,251**	**7.00**	**5,688**	**On demand**	**Unsecured**

	2017				
	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
2018						
At 1 January	**79**	**–**	**–**	**37**	**–**	**116**
Allowance written back during the year	**(39)**	**–**	**–**	**(3)**	**–**	**(42)**
At 31 December	**40**	**–**	**–**	**34**	**–**	**74**
2017						
At 1 January	235	–	–	54	–	289
Allowance written back during the year	(156)	–	–	(17)	–	(173)
At 31 December	79	–	–	37	–	116

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14. DERIVATIVE FINANCIAL INSTRUMENTS

	2018			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	11,372,586	88,462	15,192	73,270
Options	–	–	–	–
Interest rate swaps	524,513	11,853	2,027	9,826
Futures	491,988	3,649	3,231	418
Cross currency swaps	893,972	9,193	42,268	(33,075)
Bond forwards	–	–	–	–
	13,283,059	113,157	62,718	50,439
Life Insurance Non-Par Fund				
Forward foreign exchange	345,850	3,047	386	2,661
Cross currency swaps	234,862	3,523	1,328	2,195
	580,712	6,570	1,714	4,856
Investment-Linked Fund				
Forward foreign exchange	199,657	1,168	369	799
Futures	105,216	491	1,186	(695)
Cross currency swaps	1,335	–	12	(12)
	306,208	1,659	1,567	92
General Insurance Fund				
Forward foreign exchange	245,880	2,115	29	2,086
Shareholders' Fund				
Forward foreign exchange	703,399	5,522	713	4,809
Futures	79,907	560	785	(225)
Cross currency swaps	18,159	666	25	641
	801,465	6,748	1,523	5,225
Total	15,217,324	130,249	67,551	62,698

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2017			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	10,785,383	97,781	35,850	61,931
Options	11,122	–	28	(28)
Interest rate swaps	542,196	12,493	3,775	8,718
Futures	474,355	2,397	1,079	1,318
Cross currency swaps	967,888	13,456	35,235	(21,779)
Bond forwards	13,649	84	139	(55)
	12,794,593	126,211	76,106	50,105
Life Insurance Non-Par Fund				
Forward foreign exchange	458,031	6,858	141	6,717
Cross currency swaps	120,463	4,989	–	4,989
	578,494	11,847	141	11,706
Investment-Linked Fund				
Forward foreign exchange	160,790	1,072	412	660
Futures	16,276	509	81	428
Cross currency swaps	1,335	19	–	19
	178,401	1,600	493	1,107
General Insurance Fund				
Forward foreign exchange	303,849	3,708	80	3,628
Shareholders' Fund				
Forward foreign exchange	696,220	6,717	2,254	4,463
Futures	57,616	287	199	88
Cross currency swaps	24,137	754	29	725
	777,973	7,758	2,482	5,276
Total	14,633,310	151,124	79,302	71,822

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 2018

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	2018					
	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $'000	Net amounts of financial assets presented in the statement of financial position $'000	Related amounts not set-off in the statement of financial position: Financial Instruments $'000	Related amounts not set-off in the statement of financial position: Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	109,508	–	109,508	9,112	12,136	88,260
Life Insurance Non-Par Fund						
Derivatives	6,570	–	6,570	606	845	5,119
Investment-Linked Fund						
Derivatives	1,168	–	1,168	–	109	1,059
General Insurance Fund						
Derivatives	2,115	–	2,115	440	–	1,675
Shareholders' Fund						
Derivatives	6,188	–	6,188	1	1,274	4,913

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

	2018					
	Gross amounts of recognised financial liabilities $'000	Gross amounts of recognised financial assets set-off in the statement of financial position $'000	Net amounts of financial liabilities presented in the statement of financial position $'000	Related amounts not set-off in the statement of financial position: Financial Instruments $'000	Related amounts not set-off in the statement of financial position: Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	59,487	–	59,487	19,786	1,308	38,393
Life Insurance Non-Par Fund						
Derivatives	1,714	–	1,714	389	–	1,325
Investment-Linked Fund						
Derivatives	381	–	381	–	1,608	(1,227)
General Insurance Fund						
Derivatives	29	–	29	–	–	29
Shareholders' Fund						
Derivatives	738	–	738	–	–	738

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

	2017					
	Gross amounts of recognised financial assets $'000	Gross amounts of recognised financial liabilities set-off in the statement of financial position $'000	Net amounts of financial assets presented in the statement of financial position $'000	Related amounts not set-off in the statement of financial position: Financial Instruments $'000	Related amounts not set-off in the statement of financial position: Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	123,814	–	123,814	1,182	27,353	95,279
Life Insurance Non-Par Fund						
Derivatives	11,847	–	11,847	2,261	6,099	3,487
Investment-Linked Fund						
Derivatives	1,091	–	1,091	–	–	1,091
General Insurance Fund						
Derivatives	3,708	–	3,708	–	1,201	2,507
Shareholders' Fund						
Derivatives	7,471	–	7,471	–	2,682	4,789

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

	2017					
	Gross amounts of recognised financial liabilities $'000	Gross amounts of recognised financial assets set-off in the statement of financial position $'000	Net amounts of financial liabilities presented in the statement of financial position $'000	Related amounts not set-off in the statement of financial position: Financial Instruments $'000	Related amounts not set-off in the statement of financial position: Cash collateral $'000	Net amount $'000
Life Insurance Par Fund						
Derivatives	75,020	–	75,020	13,557	942	60,521
Life Insurance Non-Par Fund						
Derivatives	141	–	141	–	–	141
Investment-Linked Fund						
Derivatives	412	–	412	–	–	412
General Insurance Fund						
Derivatives	80	–	80	91	–	(11)
Shareholders' Fund						
Derivatives	2,283	–	2,283	–	564	1,719

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INSURANCE CONTRACT PROVISIONS

	2018				
	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	–	112,493	–	479,363	591,856
Provision for unexpired risks	–	234,150	–	189,058	423,208
Provision for future non-participating benefits	214,208	2,223,601	519	–	2,438,328
Provision for future participating benefits					
– Guaranteed benefits	11,668,612	–	–	–	11,668,612
– Non-guaranteed benefits	14,134,553	–	–	–	14,134,553
Provision for investment-linked contracts	–	–	2,122,207	–	2,122,207
Total insurance contract provisions, gross	26,017,373	2,570,244	2,122,726	668,421	31,378,764
Reinsurance					
Provision for claims and loss adjustment expenses	–	–	–	42,283	42,283
Provision for unexpired risks	–	–	–	1,019	1,019
Total reinsurers' share of insurance contract provisions	–	–	–	43,302	43,302
Net					
Provision for claims and loss adjustment expenses	–	112,493	–	437,080	549,573
Provision for unexpired risks	–	234,150	–	188,039	422,189
Provision for future non-participating benefits	214,208	2,223,601	519	–	2,438,328
Provision for future benefits					
– Guaranteed benefits	11,668,612	–	–	–	11,668,612
– Non-guaranteed benefits	14,134,553	–	–	–	14,134,553
Provision for investment-linked contracts	–	–	2,122,207	–	2,122,207
Total insurance contract provisions, net	26,017,373	2,570,244	2,122,726	625,119	31,335,462

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

	2017				
	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	–	97,781	–	476,495	574,276
Provision for unexpired risks	–	199,757	–	188,408	388,165
Provision for future non-participating benefits	221,994	2,035,214	259	–	2,257,467
Provision for future participating benefits					
– Guaranteed benefits	11,041,671	–	–	–	11,041,671
– Non-guaranteed benefits	14,266,029	–	–	–	14,266,029
Provision for investment-linked contracts	–	–	2,117,719	–	2,117,719
Total insurance contract provisions, gross	25,529,694	2,332,752	2,117,978	664,903	30,645,327
Reinsurance					
Provision for claims and loss adjustment expenses	–	–	–	31,664	31,664
Provision for unexpired risks	–	–	–	642	642
Total reinsurers' share of insurance contract provisions	–	–	–	32,306	32,306
Net					
Provision for claims and loss adjustment expenses	–	97,781	–	444,831	542,612
Provision for unexpired risks	–	199,757	–	187,766	387,523
Provision for future non-participating benefits	221,994	2,035,214	259	–	2,257,467
Provision for future benefits					
– Guaranteed benefits	11,041,671	–	–	–	11,041,671
– Non-guaranteed benefits	14,266,029	–	–	–	14,266,029
Provision for investment-linked contracts	–	–	2,117,719	–	2,117,719
Total insurance contract provisions, net	25,529,694	2,332,752	2,117,978	632,597	30,613,021

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

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

	2018 $'000	2017 $'000
At 1 January	**25,529,694**	23,370,979
Premium received	**2,055,749**	2,019,875
Income:		
– Investment income	**110,113**	2,202,507
– Other income	**14,624**	15,171
Claims and surrenders	**(1,616,871)**	(1,879,010)
Expenses	**(170,143)**	(152,374)
Other movements	**102,490**	(39,603)
Transfer to Shareholders' Fund	**(8,283)**	(7,851)
At 31 December	**26,017,373**	25,529,694

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2018 $'000	2017 $'000
At 1 January	**199,757**	174,805
Increase in insurance provision for unexpired risk	**34,393**	24,952
At 31 December	**234,150**	199,757

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

	2018 $'000	2017 $'000
At 1 January	**2,132,995**	1,867,304
(Decrease) / increase in provision for claims	**14,712**	7,447
Increase in insurance contract provision – Business movements	**156,623**	190,332
Change in valuation basis		
– Discount rate	**1,570**	20,369
– Assumption and other changes	**30,194**	47,543
At 31 December	**2,336,094**	2,132,995
At 31 December (a) + (b)	**2,570,244**	2,332,752

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

15. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions (net) (continued)

Investment-Linked Fund

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

	2018 $'000	2017 $'000
At 1 January	**2,117,719**	1,719,050
Premiums	**349,033**	442,937
Income	**(97,467)**	240,161
Claims and surrenders	**(237,862)**	(273,874)
Expenses	**(9,216)**	(10,555)
At 31 December	**2,122,207**	2,117,719

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

	2018 $'000	2017 $'000
At 1 January	**259**	280
Increase in insurance contract provision – Business movements	**239**	–
Change in valuation basis		
– Discount rate	**–**	4
– Assumption and other changes	**21**	(25)
At 31 December	**519**	259
At 31 December (a) + (b)	**2,122,726**	2,117,978

General Insurance Fund

(a) Provision for unexpired risk

	2018 $'000	2017 $'000
At 1 January	**187,766**	177,124
Increase in insurance provision for unexpired risk	**273**	10,642
At 31 December	**188,039**	187,766

(b) Provision for claims and loss adjustment expenses

	2018 $'000	2017 $'000
At 1 January	**444,831**	450,615
(Decrease) / Increase in insurance provision for claims and loss adjustment expenses	**(7,751)**	(5,784)
At 31 December	**437,080**	444,831
At 31 December (a) + (b)	**625,119**	632,597

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. INSURANCE AND OTHER RECEIVABLES

	2018					
	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	59,188	20,619	–	27,286	–	107,093
Accrued interest receivable	4,285	–	–	–	–	4,285
Investment receivables	26,866	1,173	17,643	–	1,957	47,639
Trade receivables	653	–	–	1,116	–	1,769
Other receivables	31,686	280	–	617	167	32,750
Interfund balances	28,822	–	–	–	107,494	136,316
	151,500	22,072	17,643	29,019	109,618	329,852
Less: Allowance for impairment losses	(820)	(789)	–	(1,721)	–	(3,330)
	150,680	21,283	17,643	27,298	109,618	326,522

	2017					
	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	62,133	16,994	–	34,593	–	113,720
Accrued interest receivable	1,450	–	–	–	–	1,450
Investment receivables	8,887	–	33,704	–	899	43,490
Trade receivables	595	–	–	1,868	–	2,463
Other receivables	21,295	288	6	543	232	22,364
Interfund balances	27,745	–	855	–	71,603	100,203
	122,105	17,282	34,565	37,004	72,734	283,690
Less: Allowance for impairment losses	(853)	(455)	–	(1,810)	–	(3,118)
	121,252	16,827	34,565	35,194	72,734	280,572

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 2018

16. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

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

	2018					
	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	**853**	**455**	**–**	**1,810**	**–**	**3,118**
Impairment loss during the year	**–**	**334**	**–**	**–**	**–**	**334**
Allowance written back / utilised during the year	**(33)**	**–**	**–**	**(89)**	**–**	**(122)**
At 31 December	**820**	**789**	**–**	**1,721**	**–**	**3,330**

	2017					
	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	564	1,087	–	783	–	2,434
Impairment loss during the year	1,220	(632)	–	1,031	–	1,619
Allowance written back / utilised during the year	(931)	–	–	(4)	–	(935)
At 31 December	853	455	–	1,810	–	3,118

17. CASH AND CASH EQUIVALENTS

	2018					
	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	**–**	**–**	**500**	**484**	**–**	**984**
Cash and bank balances	**423,331**	**96,708**	**53,413**	**41,031**	**29,087**	**643,570**
	423,331	**96,708**	**53,913**	**41,515**	**29,087**	**644,554**

	2017					
	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	40,000	–	–	481	–	40,481
Cash and bank balances	384,148	56,370	43,204	37,194	24,364	545,280
	424,148	56,370	43,204	37,675	24,364	585,761

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. BORROWINGS

Life Insurance Par Fund

Description	Issue Date	Maturity Date	2018 $'000	2017 $'000
Bank borrowing	17 January 2017	17 January 2022	**417,291**	416,401

The bank borrowing of $420,000,000 (2017: $420,000,000) was refinanced on 17 January 2017 and is repayable on 17 January 2022. The effective interest rate at reporting date is 2.55% (2017: 1.76%) per annum and the interest rates are re-priced every three months to the SGD-SOR rates.

The bank borrowing is secured by the following:

(i) a legal mortgage over the investment property (Note 7);
(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; and
(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	2018 $'000	2017 $'000
$600 million 3.65% subordinated notes	23 August 2012	23 August 2027	**599,435**	599,292

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 $615,540,000 (2017: $635,280,000).

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

19. INSURANCE AND OTHER PAYABLES

	2018					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Outstanding claims	**50,059**	**68,812**	**–**	**1,573**	**–**	**120,444**
Insurance and reinsurance payables	**26,801**	**25,142**	**1,144**	**21,234**	**–**	**74,321**
Investments and other payables	**751,779**	**20,796**	**43,472**	**10,268**	**24,728**	**851,043**
Contribution to Singapore Labour Foundation	**–**	**–**	**–**	**–**	**21,897**	**21,897**
Contribution to Central Co-operative Fund	**–**	**–**	**–**	**–**	**25**	**25**
Interfund balances	**4,486**	**32,343**	**2,426**	**97,061**	**–**	**136,316**
	833,125	**147,093**	**47,042**	**130,136**	**46,650**	**1,204,046**
To be settled within 12 months	**813,737**	**120,249**	**47,042**	**130,136**	**46,650**	**1,157,814**
To be settled after 12 months	**19,388**	**26,844**	**–**	**–**	**–**	**46,232**
	833,125	**147,093**	**47,042**	**130,136**	**46,650**	**1,204,046**

	2017					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Outstanding claims	48,188	59,782	–	1,490	–	109,460
Insurance and reinsurance payables	80,875	20,017	967	21,682	–	123,541
Investments and other payables	651,464	15,584	52,368	11,629	30,543	761,588
Contribution to Singapore Labour Foundation	–	–	–	–	14,495	14,495
Contribution to Central Co-operative Fund	–	–	–	–	25	25
Interfund balances	2,421	26,522	–	71,260	–	100,203
	782,948	121,905	53,335	106,061	45,063	1,109,312
To be settled within 12 months	763,006	100,338	53,335	106,060	45,063	1,067,802
To be settled after 12 months	19,942	21,567	–	1	–	41,510
	782,948	121,905	53,335	106,061	45,063	1,109,312

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 2018

20. SHARE CAPITAL

	2018	2017	2018	2017
	Number of shares		$'000	$'000
Shareholders' Fund				
Authorised:				
100,000,000 shares of $10 each	**100,000,000**	100,000,000	**1,000,000**	1,000,000

	Common Shares			
	2018	2017	2018	2017
	Number of shares		$'000	$'000
Issued and fully paid common shares:				
At 1 January	**98,808,267**	65,784,838	**988,083**	657,848
Issue of shares	**174,930**	33,112,202	**1,749**	331,122
Conversion to Permanent Shares	**(66,058,822)**	–	**(660,588)**	–
Redemption of shares	**(145,296)**	(88,773)	**(1,453)**	(887)
At 31 December	**32,779,079**	98,808,267	**327,791**	988,083

	2018	2017	2018	2017
Issue of shares	Number of shares		$'000	$'000
Shares issued to employees for long service award	**19,510**	23,610	**195**	236
Shares issued for cash in respect of new subscriptions	**155,420**	33,088,592	**1,554**	330,886
	174,930	33,112,202	**1,749**	331,122

	Permanent Shares			
	2018	2017	2018	2017
	Number of shares		$'000	$'000
Issued and fully paid permanent shares:				
At 1 January	**–**	–	**–**	–
Issue of shares	**–**	–	**–**	–
Conversion from Common Shares	**66,058,822**	–	**660,588**	–
Redemption of shares	**–**	–	**–**	–
At 31 December	**66,058,822**	–	**660,588**	–

	2018	2017	2018	2017
Issue of shares	Number of shares		$'000	$'000
Shares issued for cash in respect of new subscriptions	–	–	–	–
	–	–	–	–

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

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. SHARE CAPITAL (CONTINUED)

Members and their rights

During the financial year, the Co-operative Societies (Amendment) Bill was passed and came into effect.

The amended Co-operative Societies Act (Act) stipulates that a society may issue a new class of shares called Permanent Shares, only to an institutional member and that the institutional member of a society may, with the written approval of the Registrar, subscribe, in accordance with the By-laws of the society, for permanent shares issued by the society.

The amended Act further stipulates that the Permanent Shares cannot be withdrawn and cannot be converted to Common Shares; but may be transferred with the approval of the committee of management of the society (this refers to the Board, in the context of the Co-operative) and in accordance with this Act and the By-laws of the society.

During the year, the Co-operative's By-laws were amended to allow the Co-operative to issue Permanent Shares and also convert Common Shares issued to Institutional Members, to Permanent Shares. The Permanent Shares which are issued as a result of the conversion of the Common Shares shall rank *pari passu* in all respects with any existing Permanent Shares.

Membership of the Co-operative consists of:

(i) a Founder Member which shall be the National Trades Union Congress;

(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 Co-operative.

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 and Permanent Shares (if any) held.

An Ordinary Member who holds only Common Shares and does not hold any Permanent Shares may withdraw 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 Ordinary 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.

An Institutional Member who holds any Permanent Shares may withdraw from the Co-operative only after all its Permanent Shares are disposed of (by way of share transfer to an Institutional Member or purchase by the Co-operative).

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 Co-operative Societies Rules 2009 ("Rules") or in the By-laws for any period during which no dividend or patronage refund was in fact paid.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

20. SHARE CAPITAL (CONTINUED)

Members and their rights (continued)

Any monies remaining after the application of the funds to the purposes specified in the above paragraph (Section 88 of the 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.

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 and the Permanent Shares are presented as equity on the statement of financial position. The redemption rights of the Ordinary Members and Institutional Members holding the Common Shares 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 $500,142,000 (2017: $513,721,000) 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

	2018					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Reinsurance commission	**3,705**	**64**	**12**	**5,749**	**–**	**9,530**
Management and other fees	**10,916**	**–**	**–**	**–**	**–**	**10,916**
Other Income	**–**	**–**	**–**	**–**	**128,505**	**128,505**
	14,621	**64**	**12**	**5,749**	**128,505**	**148,951**

	2017					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Reinsurance commission	2,477	109	4	3,416	–	6,006
Management andother fees	12,821	–	–	–	–	12,821
Other Income	–	–	–	–	–	–
	15,298	109	4	3,416	–	18,827

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

	2018					
	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	2,050	424	91	200	429	3,194
– loans	38,280	6	–	1	–	38,287
	40,330	430	91	201	429	41,481
Dividend income	210,250	7,261	61,601	15,991	13,998	309,101
Net rental income:						
– rental income	91,582	–	–	–	–	91,582
Less: Investment properties maintenance	(26,852)	–	–	–	–	(26,852)
	64,730	–	–	–	–	64,730
Loss on disposal of investment properties	(15)	–	–	–	–	(15)
Realised gain on sale of AFS investments	107,845	–	–	–	8,136	115,981
Net gain / (loss) and changes in fair value of:						
– investments designated as fair value through profit or loss	(209,540)	52,377	(148,371)	7,492	12,930	(285,112)
– derivatives	(66,343)	(10,506)	502	(4,302)	(3,598)	(84,247)
– investment properties	49,357	–	–	–	–	49,357
	(226,526)	41,871	(147,869)	3,190	9,332	(320,002)
Less:						
Investment expenses	(55,784)	(4,078)	(9,044)	(2,131)	(3,868)	(74,905)
Allowance for impairment written back / (made) on:						
– loans	39	–	–	3	–	42
– available-for-sale investments	–	–	–	–	–	–
	39	–	–	3	–	42
Loans written back / (written off)	53	–	–	–	–	53
Others	580	(333)	3,851	191	(30)	4,259
Net investment income and fair value gains	141,502	45,151	(91,370)	17,445	27,997	140,725

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

	2017					
	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	689	128	23	55	13	908
– loans	38,200	1	–	(1)	–	38,200
	38,889	129	23	54	13	39,108
Dividend income	187,530	22	48,084	13,476	13,849	262,961
Net rental income:						
– rental income	96,676	–	–	–	–	96,676
Less: Investment properties maintenance	(27,299)	–	–	–	–	(27,299)
	69,377	–	–	–	–	69,377
Loss on disposal of investment properties	(238)	–	–	–	–	(238)
Realised gain on sale of AFS investments	97,195	–	–	–	8,953	106,148
Net gain / (loss) and changes in fair value of:						
– investments designated as fair value through profit or loss	1,295,839	196,818	204,036	53,223	28,389	1,778,305
– derivatives	523,905	35,557	3,121	15,108	29,782	607,473
– investment properties	92,760	–	–	–	–	92,760
	1,912,504	232,375	207,157	68,331	58,171	2,478,538
Less:						
Investment expenses	(50,333)	(2,774)	(12,653)	(1,682)	(6,315)	(73,757)
Allowance for impairment written back / (made) on:						
– loans	156	–	–	17	–	173
– available-for-sale investments	(14,064)	–	–	–	(509)	(14,573)
	(13,908)	–	–	17	(509)	(14,400)
Loans written back / (written off)	(63)	–	–	(6)	–	(69)
Others	773	630	13	(897)	(7)	512
Net investment income and fair value gains	2,241,726	230,382	242,624	79,293	74,155	2,868,180

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

24. MANAGEMENT EXPENSES

The following items are included in management expenses:

	The Group	
	2018 $'000	2017 $'000
Staff costs		
– Salaries, bonuses and staff benefits	**124,493**	110,311
– Employer's contribution to defined contribution plan	**13,212**	13,827
Advertising and promotion	**11,102**	10,082
Depreciation and amortisation	**17,657**	15,723
Printing, postage and stationery	**5,114**	5,132
Rental expenses	**9,325**	9,211

25. IMMEDIATE AND ULTIMATE HOLDING ENTITY

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

26. RELATED PARTY TRANSACTIONS

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

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 and services

	The Group	
	2018 $'000	2017 $'000
Insurance related transactions with		
– Parent	**(3)**	1
– Subsidiaries	**65**	88
– Associated companies	**6**	18
– Other related parties	**(286)**	(245)
	(218)	(138)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. RELATED PARTY TRANSACTIONS (CONTINUED)

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

	The Group	
	2018 $'000	2017 $'000
Investment related transactions with		
– Parent	–	–
– Subsidiaries	–	–
– Joint ventures	5,688	5,688
– Associated companies	(38,685)	21,430
– Other related parties	6,983	6,695
	(26,014)	33,813
Purchases of goods / rental / management of investment properties with		
– Parent	(1,190)	(1,744)
– Subsidiaries	(153)	(401)
– Associated companies	(1,355)	(940)
– Other related parties	(2,170)	(1,838)
	(4,868)	(4,923)
Dividends to		
– Parent	(33,777)	(19,835)

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

(b) Key management personnel compensation

	The Group	
	2018 $'000	2017 $'000
Salaries and other benefits	10,412	8,062
Employer's contribution to defined contribution plan	213	186
Directors' fees	915	864
	11,540	9,112

27. DIVIDENDS

	2018 $'000	2017 $'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 60 cents (2017: 60 cents)	52,563	37,844

The Directors have proposed a dividend of 60 cents (2017: 60 cents) per share, amounting to $59,303,000 (2017: $52,685,000) to be paid in respect of the financial year ended 31 December 2018 (2017: 31 December 2017). The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2019 after approval is obtained during the Annual General Meeting.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

	2018 $'000	2017 $'000
Accumulated surplus in other Insurance Funds	**1,750,933**	1,798,240
Accumulated deficit in Shareholders' Fund	**(204,933)**	(356,040)
Net surplus of Shareholders' Fund and other Insurance funds	**1,546,000**	1,442,200
Available for distribution for members of the Group	**684,103**	800,832
Non-distributable amount	**861,897**	641,368

The non-distributable amount must be maintained to meet regulatory capital requirement prescribed in the Insurance (Valuation and Capital) Regulations 2004 under MAS 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	
	2018 $'000	2017 $'000
Outstanding investment commitments	**653,356**	785,978

(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	
	2018 $'000	2017 $'000
Not later than one year	**65,514**	70,563
Between one and five years	**76,355**	79,961

(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	
	2018 $'000	2017 $'000
Not later than one year	**6,087**	5,471
Between one and five years	**24,064**	5,426

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

31. ASSET HELD FOR SALE

In 2017, management committed to a plan to sell a residential investment property. Accordingly, the investment property is presented as an asset held for sale. The sale was completed on 29 January 2018 for a consideration of $1,220,000.

32. LEGAL SUIT

Following the dismissal on 20 August 2015 by the Court of Appeal of the Financial Consultants' appeal to stay court proceedings, no claims arising from those court proceedings have been referred for arbitration against the Co-operative. Based on our lawyers' advice, these claims are now statute barred under the Limitation Act.

33. RECLASSIFICATION AND COMPARATIVE FIGURES

In 2018, the Group reviewed its classification and presentation of certain accounts to better represent the Co-operative's role and obligations to policyholders for a product. Arising from this review, there have been certain reclassifications for 2018. The comparative figures have likewise been reclassified as shown in the table below. This revised classification and presentation do not affect previously reported net surplus and total comprehensive income in the consolidated statement of comprehensive income and has no impact on the information in the consolidated statements of financial position at the beginning of the preceding period as at 1 January 2017 and as at 31 December 2017.

The items were reclassified as follows:

Consolidated Statement of Comprehensive Income

	The Group		
	2017		
	As previously reported $'000	Reclassification $'000	After reclassification $'000
Gross premiums	3,871,852	(316,029)	3,555,823
Reinsurance premiums	(359,114)	316,029	(43,085)
Benefits and claims			
Gross claims, surrenders and annuities	2,894,341	(149,104)	2,745,237
Less: Reinsurers' share of insurance benefits and claims	(157,751)	149,104	(8,647)

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. TEMPORARY EXEMPTION FROM FRS 109

As detailed in Note 2(w) of significant accounting policies, the Group has decided to apply for temporary exemption from FRS 109. The tables below present the disclosure requirements stipulated in Amendments to FRS 104 *Insurance Contracts*.

(i) The fair value as at 31 December 2018 and the amount of change in the fair value during the period separately for other financial assets and loans are as follows:

	2018					
	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
Fair value						
Amortised cost ("Hold to collect" business model)						
– loans	100,383	–	–	–	–	100,383
– other receivables	39,159	1,453	17,643	522	2,076	60,853
– cash and cash equivalents	423,331	96,708	53,913	41,515	29,087	644,554
Total financial assets at amortised cost	562,873	98,161	71,556	42,037	31,163	805,790
Fair value through other comprehensive income ("Hold to collect and sell" business model)						
Debt securities	1,479,536	207,691	–	961,690	605,239	3,254,156
Total financial assets at fair value through other comprehensive income	1,479,536	207,691	–	961,690	605,239	3,254,156
Fair value through profit or loss						
– equities	4,143,831	88,834	648,069	–	146,885	5,027,619
– funds	2,511,054	244,952	1,024,741	360,005	251,532	4,392,284
– debt securities	15,796,330	3,681,750	429,267	4,291	24,802	19,936,440
– derivative financial instruments	113,157	6,570	1,659	2,115	6,748	130,249
Total financial assets at fair value through profit or loss	22,564,372	4,022,106	2,103,736	366,411	429,967	29,486,592
Total fair value of financial assets	24,606,781	4,327,958	2,175,292	1,370,138	1,066,369	33,546,538

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. TEMPORARY EXEMPTION FROM FRS 109 (CONTINUED)

	2018					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment-Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Change in fair value						
Amortised cost ("Hold to collect" business model)						
– loans	–	–	–	–	–	–
– other receivables	–	–	–	–	–	–
– cash and cash equivalents	–	–	–	–	–	–
Total financial assets at amortised cost	–	–	–	–	–	–
Fair value through other comprehensive income ("Hold to collect and sell" business model)						
Debt securities	16,624	(8,735)	–	(3,471)	(7,846)	(3,428)
Total financial assets at fair value through other comprehensive income	16,624	(8,735)	–	(3,471)	(7,846)	(3,428)
Fair value through profit or loss						
– equities	(587,175)	(10,440)	(112,784)	(19,795)	(37,079)	(767,273)
– funds	(108,635)	(4,465)	(102,645)	17,507	(24,621)	(222,859)
– debt securities	(95,949)	(30,602)	(3,584)	(134)	552	(129,717)
– derivative financial instruments	553	(6,774)	(1,015)	(1,549)	(76)	(8,861)
Total financial assets at fair value through profit or loss	(791,206)	(52,281)	(220,028)	(3,971)	(61,224)	(1,128,710)
Total carrying amount of financial assets	(774,582)	(61,016)	(220,028)	(7,442)	(69,070)	(1,132,138)

For financial assets at amortised cost and fair value through other comprehensive income, their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets at fair value through profit or loss, they are mandatorily measured at fair value through profit or loss because they either (a) contain contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, (b) meet the definition of held for trading in FRS 109, or (c) are managed and performance evaluated on a fair value basis.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. TEMPORARY EXEMPTION FROM FRS 109 (CONTINUED)

(ii) The carrying amounts of financial assets by credit risk rating grades that are not classified as measured at fair value through profit or loss are as follows:

	2018			
	Investment Grade (AAA to BBB-) $'000	Below Investment Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Fair value				
Amortised cost ("Hold to collect" business model)				
– loans	–	–	100,383	100,383
– other receivables	–	–	60,853	60,853
– cash and cash equivalents	644,554	–	–	644,554
Total financial assets at amortised cost	644,554	–	161,236	805,790
Fair value through other comprehensive income ("Hold to collect and sell" business model)				
Debt securities	1,712,607	1,721	1,539,828	3,254,156
Total financial assets at fair value through other comprehensive income	1,712,607	1,721	1,539,828	3,254,156
Total fair value of financial assets	2,357,161	1,721	1,701,064	4,059,946

(iii) Financial assets with low credit risk are those which have a low risk of default, the issuer or borrower has a strong capacity to meet its contractual cash flow obligations in the near term and ability to fulfil its obligations may, but will not necessarily, be reduced by adverse changes in economic and business conditions in the long term.

For financial assets that do not have low credit risk as at 31 December 2018, the fair value and the carrying amount under FRS 109 are as follows:

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

34. TEMPORARY EXEMPTION FROM FRS 109 (CONTINUED)

	2018					
	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
Fair value						
Amortised cost ("Hold to collect" business model)						
– loans	40	–	–	34	–	74
– other receivables	820	–	–	–	–	820
Total financial assets at amortised cost	860	–	–	34	–	894
Fair value through other comprehensive income ("Hold to collect and sell" business model)						
Debt securities	–	–	–	–	1,721	1,721
Total financial assets at fair value through other comprehensive income	–	–	–	–	1,721	1,721
Total fair value of financial assets	860	–	–	34	1,721	2,615

	2018					
	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
Carrying amount						
Amortised cost ("Hold to collect" business model)						
– loans	40	–	–	34	–	74
– other receivables	820	–	–	–	–	820
Total financial assets at amortised cost	860	–	–	34	–	894
Fair value through other comprehensive income ("Hold to collect and sell" business model)						
Debt securities	–	–	–	–	1,864	1,864
Total financial assets at fair value through other comprehensive income	–	–	–	–	1,864	1,864
Total fair value of financial assets	860	–	–	34	1,864	2,758

For financial assets measured at amortised cost, the carrying amount is before adjusting for any impairment allowances.

(iv) FRS 109 information could be obtained from the publicly available individual or separate financial statements of the Group's subsidiaries, joint venture and associates that has applied FRS 109.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. 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 2018, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early.

These new standards include, among others, FRS 116 *Leases* and FRS 117 *Insurance Contracts*.

- FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

  FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

  When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives,* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

  FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

  The Group plan to apply FRS 116 initially on 1 January 2019, using the modified retrospective approach. The Group plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that FRS 116 will be applied to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 4.

  i. The Group as lessee

  The Group expect to measure lease liabilities by applying a single discount rate to their portfolio of rental leases. Furthermore, the Group are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019.

  The Group expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. The Company expects to recognise ROU assets and lease liabilities of $9.5 million and provision for reinstatement costs of $0.3 million as at 1 January 2019.

  The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

  No other significant impact is expected for the Group's finance leases.

  ii. The Group as lessor

  FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

  The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available, the Group do not expect significant impact for leases in which the Group is a lessor.

- FRS 117 is effective for years beginning on 1 January 2021, and is to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard will replace FRS 104 *Insurance Contracts* and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements.

Notes to the Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED (CONTINUED)

As FRS 116 and FRS 117, when effective, will change the existing accounting standards and guidance applied by the Group in accounting for financial instruments, and leases, these standards are expected to be relevant to the Group. For FRS 117, the Group is currently assessing the impact on the financial statements of the Group.

36. SUBSEQUENT EVENTS

Agreement To Transfer ElderShield Policies To The Ministry Of Health ("MOH")

In the press release on 7 January 2019, MOH announced that they have reached an agreement with the ElderShield insurers for the Government to take over the administration of the ElderShield Scheme in 2021. Holders of ElderShield Supplements will not be affected. They will continue to be served by their existing ElderShield Supplement insurers.

ElderShield insurers will transfer to the Government the liabilities and corresponding assets backing these liabilities for all policies under the ElderShield Scheme. The date of the transfer will be dependent on when the new legislation will be passed. Income has entered into a binding offer with MOH in December 2018 subject to the passing of the new legislation.

37. AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors at a meeting held on 28 March 2019 and authorised for release on 28 March 2019.

Shareholding

AS AT 31 DECEMBER 2018

FOUNDER MEMBER	Number of Shares
National Trades Union Congress	1,928,520 (1.95%)

INSTITUTIONAL MEMBERS (24)	Number of Shares
NTUC Enterprise Co-operative Limited	66,058,822*
NTUC Income Insurance Co-operative Ltd	1,415,952
Singapore Mercantile Co-operative Society Ltd	214,035
AUPE Credit 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
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 Polytechnic Consumer Co-operative Society	6,000
Industrial & Services Co-operative Society Ltd	6,095
NUS Multi-Purpose Co-operative Society Ltd	4,420
SembCorp Marine Multi-Purpose Co-operative Society Ltd	3,306
Singapore Bank Employees Co-operative T & L Society Ltd	2,130
Total for Institutional Members	68,568,004 (69.37%)
ORDINARY MEMBERS (15,919)	28,341,377 (28.68%)
TOTAL	98,837,901 (100%)

* Permanent Shares

Corporate Information

BOARD OF DIRECTORS
Ronald Ong (Chairman)
Kee Teck Koon (Deputy Chairman)
Sung Cheng Chih
Richard Shermon
Choong Tuck Oon
Lau Wing Tat
Pang Wai Yin
Joy Tan
Sim Hwee Hoon
Sim Hwee Cher

Audit Committee
Pang Wai Yin (Chairperson)
Richard Shermon
Sim Hwee Hoon
Sim Hwee Cher

Human Resource & Remuneration Committee
Sung Cheng Chih (Chairman)
Kee Teck Koon
Lau Wing Tat
Joy Tan
Sim Hwee Hoon

Investment Committee
Lau Wing Tat (Chairman)
Kee Teck Koon
Choong Tuck Oon
Ken Ng (Chief Executive)
Kate Chiew (Chief Investment Officer)
Lau Sok Hoon (Appointed Actuary)

Nominating Committee
Sung Cheng Chih (Chairman)
Kee Teck Koon
Lau Wing Tat
Joy Tan
Sim Hwee Hoon

Risk Management Committee
Sung Cheng Chih (Chairman)
Richard Shermon
Choong Tuck Oon
Pang Wai Yin
Joy Tan
Sim Hwee Cher
Eric Seah (External Member)

SECRETARIAT
B Lakshmi (Co-operative Secretary)

INCOME – UNION BRANCH COMMITTEE
Michelle Lim Poh Hoon (Chairperson)
Dennis Ng Yong Peng (Asst. Chairperson)
Hannah Looi Chee Siew (Asst. Chairperson)

SINGAPORE INSURANCE EMPLOYEES UNION
Christine Lim Li Han (President)
Luke Hee Wing Wai (General Secretary)
Lee Moi Cheng (Treasurer)

AUDITOR
KPMG LLP

REGISTERED ADDRESS
75 Bras Basah Road
Income Centre
Singapore 189557
Tel: 6788 1777
Website: income.com.sg

Notice of Annual General Meeting

NOTICE IS HEREBY given that the Forty-Ninth Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Friday, 24 May 2019, at 5.30 pm at the Stephen Riady Auditorium@NTUC, Level 7, NTUC Centre, One Marina Boulevard, Singapore 018989.

AGENDA

1 To confirm the minutes of the 48th Annual General Meeting held on 25 May 2018.

2 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2018.

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 2018.

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 2019.

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
24 April 2019

Notes

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