ntuc income

2011

CONSOLIDATED FINANCIAL STATEMENTS

Contents

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

NTUC Income was the first Co-operative set up by the Labour Movement to provide essential insurance to blue-collar Singaporeans. Over the years, it has grown to become a leader in Singapore's insurance industry with more than two million policyholders.

2011 RESULTS

Singapore's economy grew 4.9% in 2011. Although this represented slower growth than the 14.8% recorded in 2010, it was within the official forecast of between 4.0% to 6.0% and reflected a healthy pace buffeted by weaknesses and uncertainties in the global economy.

Singapore's life insurance industry was similarly robust in 2011, with weighted new business premiums rising 21.6% over the previous year.

Against this backdrop, NTUC Income posted several milestone results in 2011, and continues to be one of Singapore's leading insurers. Among the highlights of its underlying insurance businesses are:

- Premium revenue rose 13.9% to $4.2 billion, the highest revenue achieved in NTUC Income's history
- Weighted life insurance new business premium grew 9.1% to $375.4 million, up from $344.1 million in 2010
- Insurance operating results rose 17.8% from $166.0 million in 2010 to $195.6 million
- Gross surplus for 2011 amounted to $200.8 million and
- Total assets increased 4.6% to reach a record $27.6 billion

NTUC Income maintained its leading positions in health and annuities with market shares of 29.7% and 97.4%, respectively. NTUC Income also maintained its status as the leading provider of shield plans, with a market share of 35.3% of all in-force policies.

Reflecting NTUC Income's successful multi-channel strategy, sales through the various key channels recorded strong growth. Sales through the bancassurance channel grew 26.2% to reach $109.9 million in weighted new premiums on the back of strong collaboration with major banks operating in Singapore. Sales through financial advisers also recorded stellar growth of 26.2% to reach $44.3 million in 2011. The bancassurance and financial advisers channels generated 29.3% and 11.8% of NTUC Income's weighted life insurance new business premiums in 2011, up from 25.3% and 10.2%, respectively, in 2010. NTUC Income's tied agents continued to be a key distribution channel, accounting for 47.6% of weighted new premiums in 2011.

Gross premiums for general insurance business, at $301.5 million, is a slight decline of 0.1% against last year. However, motor insurance registered a 3.2% growth in premium to $252.2 million.

LIFE INSURANCE

In 2011, NTUC Income recorded $375.4 million in weighted life insurance new premiums, 9.1% higher than 2010.

The total gross premium collected for 2011 was $4.0 billion. It comprised $2.5 billion in single premiums and $1.5 billion in regular premiums. This included group and health insurance.

The total investment return for Life Insurance Participating Fund in 2011 was -0.82%. This resulted in a 3-year average return of 5.7%. The Board accepted the Appointed Actuary's recommendation to pay out a total bonus amounting to $367.3 million. The payments are in line with the assurance given to policyholders that bonus payouts will be fair and consistent with the performance of the Life Fund.

For the group and health businesses, gross premiums grew by 5.6% to $536.7 million from $508.0 million in 2010. NTUC Income insures about 770,300 lives under its IncomeShield plans, making it the biggest insurer of shield plans.

GENERAL INSURANCE

Gross premium for general insurance for 2011 was $301.5 million, a slight decline of 0.1% against last year. Overall, the general insurance business registered an underwriting profit of $23.1 million in 2011 compared to $21.6 million in 2010. NTUC Income's total market share for 2011 was 10.6%, including 21.1% for the motor business.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Motor premiums grew by 3.2% to $252.2 million in 2011. This was the third consecutive year NTUC Income was able to achieve a positive underwriting result. In recognition of the continued support of its customers, NTUC Income will repeat its rebate of the previous year to about 100,000 car owners. It will also extend this rebate to about 73,000 motorcycle owners, which represents one in two motorcycle owners in Singapore.

Car and motorcycle owners will enjoy rebates of $30 and $10, respectively. Total payment is about $4.2 million. This is over and above the $4.0 million investment that NTUC Income will plough into its dedicated Orange Force, a team of specially selected, expertly trained and distinctively attired riders who provide accident-scene assistance to customers.

SHAREHOLDERS

Taking into account the results for the year, the directors propose a total dividend of 6.0% for the financial year ended 31 December 2011.

OUR STRENGTH AND CORPORATE GOVERNANCE

NTUC Income remains strong financially but it will continue to consolidate its financial strength by concentrating on what it does well and institutionalising a robust risk management culture. NTUC Income will also continue to invest resources to enhance its overall operational effectiveness, embrace and practise the highest standards of corporate governance, transparency and disclosure, while expanding and deepening its capabilities to become a higher performing organisation.

SOCIAL ENTERPRISE

As a social enterprise, NTUC Income is "Made Different" from other insurance companies. It remains committed to its social role to provide essential insurance that is accessible and affordable.

This social role is underscored by NTUC Income's commitment to address the needs of the uninsured and the under-insured Singapore's residents. NTUC Income also remains firmly focused on NTUC Social Enterprise (SE) Vision 2015, which is to increase the amount of good the social enterprises under NTUC do for the people they serve.

Committed to this vision, the directors and management of NTUC Income have crystalised their focus in making a greater social impact on two core areas. The first is all business decisions must be anchored on maximising VALUE for its customers. The second, HONEST INSURANCE, is how NTUC Income will make a difference in the lives of the people it serves by giving the right advice – first time and every time, being clear in its contracts, and settling claims quickly, fairly and in the spirit of the purpose of insurance. Both these areas are entrenched firmly and securely on prudence, solvency, sustainability and excellence, foundational principles in the way NTUC Income operates.

CORPORATE SOCIAL RESPONSIBILITY

Complementing NTUC Income's social mission are its Corporate Social Responsibility (CSR) community development initiatives to provide assistance to needy people in Singapore.

In 2011, NTUC Income commenced OrangeAid Round-up, an initiative under OrangeAid, the flagship vehicle to help disadvantaged youth and children. This was NTUC Income's first large-scale fundraising campaign to rally policyholders' support in making charitable contributions by rounding up their premiums. Proceeds from this round-up – about $600,000 – were added to the $1.5 million NTUC Income committed to the beneficiaries of OrangeAid – Moral Home for the Disabled, Singapore Children's Society, Assumption Pathway School and Dyslexia Association of Singapore.

2011 also saw the setting up of NTUC Income's CSR unit, reflecting its commitment to integrate social responsibility into the organisation using the ISO 26000 as reference.

In recognition of its support for the arts, NTUC Income was again presented the Distinguished Patron of the Arts award in 2011. It also received the Community Chest SHARE Corporate Platinum award for its contributions to the Community Chest.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

In 2011, NTUC Income continued its support of National Trades Union Congress (NTUC), its unions and affiliates with contributions totalling $3.7 million. These included $1.5 million to the NTUC 50 Development Fund; $1.0 million to the Labour Movement U Care Fund; and $1.0 million to Young NTUC.

CONCLUSION

The directors would like to express their deepest appreciation to NTUC, the unions and affiliates, its business partners, customers, and management and staff of NTUC Income for their outstanding contributions to the Co-operative in 2011. NTUC Income looks forward to their continuing support in its ongoing transformation and its efforts to make a bigger difference to the lives of those it serves.

For and on behalf of the Board of Directors

Ng Kee Choe
Chairman

23 March 2012

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2011 PROFIT & LOSS - AN OVERVIEW

S$ IN MILLION	FY 2011	FY 2010
Insurance Underwriting Profit	**90.9**	68.3
Interest, Dividend & Other Income	**104.7**	97.7
Insurance Operating Results	**195.6**	166.0
Change in Fair Value Gains of Investments	**5.2**	61.8
Net Operating Surplus	**200.8**	227.8
Less:		
Restitution of Expenses	**-**	(0.4)
Transfer to Surplus for Future Distribution	**(164.3)**	(31.0)
Fair Value Loss through Reserve	**(28.4)**	(2.3)
Levy	**10.6**	(14.6)
Share of result of associated companies and joint venture	**0.6**	-
Total Comprehensive Income	**19.3**	179.5

2011 PROFIT & LOSS - BY FUNDS

S$ IN MILLION	FY 2011	FY 2010
Life Insurance Par Fund	**41.0**	35.7
Investment Linked Fund	**(1.1)**	(1.0)
Life Insurance Non-Par Fund	**236.5**	65.0
General Insurance Fund	**(29.1)**	82.5
Shareholders' Funds	**(46.5)**	45.6
Net Operating Surplus	**200.8**	227.8
Less:		
Change in Fair Value Gains of Investments	**(5.2)**	(61.8)
Insurance Operating Results	**195.6**	166.0

BOARD OF DIRECTORS

NG KEE CHOE
CHAIRMAN

Mr Ng Kee Choe was first appointed to the Board on 28 May 2004 and was appointed as the Chairman on 20 May 2005.

He was last re-elected as director representing the Founder Member on 24 May 2011.

Mr Ng is also the Chairman of Singapore Power Ltd and SP AusNet Ltd, and President-Commissioner of PT Bank Danamon Indonesia Tbk. His other board directorships include Capitaland Ltd, Singapore Exchange Limited, Fullerton Financial Holdings Pte Ltd and SATS Ltd. He is also the Chairman of Tanah Merah Country Club, and a member of the Temasek Advisory Panel and the Advisory Council of China Development Bank. Mr Ng was Vice-Chairman of DBS Group Holdings and retired from his executive position in July 2003 after 33 years of service with DBS.

MATTHIAS YAO
DEPUTY CHAIRMAN

Mr Matthias Yao was first appointed to the Board on 15 September 1999 and last re-elected as director representing the Founder Member on 24 May 2011. He is the Chairman of the Human Resource & Remuneration Committee and the Nominating Committee. He is also a member of the Risk Management Committee and Audit Committee.

After holding various positions in the civil and public service in a career which started in 1980, Mr Yao was appointed Minister of State in the Prime Minister's Office in 1999 and served as Deputy Secretary-General in NTUC. He left NTUC in 2004 to become the Mayor of South East District. His last official position before he retired from public service was Mayor of South East District and Deputy Speaker of Parliament. Mr Yao continues to serve the Labour Movement as the Vice-Chairman of the NTUC–Ong Teng Cheong Education Trust Fund and is currently an Advisor to five trade unions. He also chairs the Board of Trustees of the NTUC Eldercare Trust and serves on the boards of the Housing & Development Board and EM Services Pte Ltd, among others.

TAN SUEE CHIEH
DIRECTOR AND CHIEF EXECUTIVE

Mr Tan Suee Chieh was appointed NTUC Income's Chief Executive on February 2007 and has served on the NTUC Income Board of Directors since 2003. He was last re-elected as director representing the Ordinary Members on 29 May 2009.

Mr Tan graduated with first class honours from the London School of Economics in 1981. He is a Fellow of the Institute of Actuaries – UK and a past president of the Life Insurance Association of Singapore. Mr Tan was the Managing Director for Prudential plc's businesses in Hong Kong, Malaysia and Singapore when he left in 2001 to pursue a Masters in Social Organisational Psychology at the Columbia University in New York. He joined the SHL Group plc in 2003 as President for the Asia Pacific Region.

Mr Tan is a member of the International Cooperative and Mutual Insurance Federation Executive Committee, Co-Chairman of the Institute of Service Excellence@SMU, Vice Chairman of the Singapore Children's Society Executive Committee, a member of advisory board of the Sim Kee Boon Institute for Financial Economics, LSE Trust Singapore and the Board of Governors of the Asia Pacific Risk and Insurance Association.

GABRIEL TEO
DIRECTOR

Mr Gabriel Teo was appointed to the Board on 24 May 2002 and was last re-elected as director representing the Founder Member on 24 May 2011. He is the Chairman of the Investment Committee and a member of the Human Resource & Remuneration Committee and Nominating Committee. Mr Teo runs his own consultancy firm, Gabriel Teo & Associates Pte Ltd. Prior to starting his own practice, he spent more than 20 years in the banking industry in the region, holding senior appointments with global institutions. He was Head of Corporate Banking at Citibank, Chief Executive Officer of Chase Manhattan Bank and Regional Managing Director of Bankers Trust. Currently, he serves on the boards of several other corporates as well as non-profit organisations.

BOARD OF DIRECTORS

TAN PENG HENG
DIRECTOR
Mr Tan Peng Heng was appointed to the Board on 28 May 2004 and was last re-elected as director representing Institutional Members on 29 May 2009. He is a member of the Human Resource & Remuneration Committee, Nominating Committee and Risk Management Committee. Mr Tan works in Qioptiq Singapore Pte Ltd. He is the Manager of Prototype Department dealing with Electro-Optics research, processes and products development. He is the current President of the Singapore Industrial & Services Employees' Union.

TAN CHENG HAN
DIRECTOR
Prof Tan Cheng Han was appointed to the Board on 20 May 2005 and was last re-elected as director representing the Founder Member on 24 May 2011. He is a member of the Audit Committee, Human Resource & Remuneration Committee and Nominating Committee. Prof Tan is currently a Professor at the National University of Singapore's Faculty of Law, as well as a Senior Counsel. He is the Chairman of the Advisory Committee on Move-On and Film Orders, a Commissioner of the Competition Commission of Singapore, and a board member of several listed companies.

SOH KIM SOON
DIRECTOR
Mr Soh Kim Soon was appointed to the Board on 8 August 2006 and was last re-appointed by the Founder Member on 29 May 2009. He is the Chairman of the Risk Management Committee and a member of the Nominating Committee. Mr Soh is currently Chairman of ORIX Investment and Management Private Limited and ORIX Leasing Singapore Limited. He also serves on the boards of EnGro Corporation Limited and Frasers Centrepoint Asset Management Ltd.

Mr Soh was previously a Senior Managing Director with DBS Bank where he held key senior positions in both business and support functions during his 29-year tenure.

RON FOO
DIRECTOR
Mr Ron Foo was first appointed to the Board on 8 August 2006 and was last re-appointed by the Founder Member on 29 May 2009. He is the Chairman of the Audit Committee. Mr Foo was a partner in PricewaterhouseCoopers, Singapore, for more than 22 years before retiring from active service in December 2005. He is presently a director of the SIA Engineering Company Limited, Alliance Consultancy Corporation and SembCorp Marine Ltd.

AUDREY CHIN
DIRECTOR
Dr Audrey Chin was first elected to the Board on 30 May 2008 and was last re-elected as director representing Ordinary Members on 24 May 2011. She is a member of the Investment Committee. Dr Chin is the Chairman of Vietnam Investing Associates - Financials (S) Pte Ltd. She was previously the Head of Investment Services at Fortis Private Bank and Partner - Asset Allocation Strategies at Pacific Asset Management (S) Pte Ltd, as well as Executive Director of Rossignol Pte Ltd, an investment adviser providing consulting services to institutional fund managers. Between 1994 and 1999, Dr Chin was Division Head, Asset Allocation in the Economics and Strategy Department of the Government of Singapore Investment Corporation.

Dr Chin is currently a Director of K-REIT Asia Management Limited and JC Trust Pte Limited. She holds a PhD in Public Policy from Rand Graduate School.

PHILIP ENG
DIRECTOR
Mr Philip Eng was first elected to the Board on 30 May 2008 and was last re-elected as director representing Institutional Members on 24 May 2011. He is a member of the Audit Committee and Investment Committee. Mr Eng is Non-Executive Chairman of mDR Limited and Frasers Centrepoint Asset Management Ltd. He is also Executive Deputy Chairman of Hup Soon Global Corporation Ltd. He holds directorships in Hektar Asset Management Sdn Bhd, The Hour Glass Ltd, Asia Pacific Breweries Limited, Chinese Development Assistance Council and Singapore Health Services Ptd Ltd. He is a Commissioner of PT Adira Dinamika Multi Finance, Tbk, Indonesia. Mr Eng is currently Singapore's Ambassador to Greece and High Commissioner to Cyprus. He graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

BOARD OF DIRECTORS

TEO YOCK NGEE
DIRECTOR

Mr Teo Yock Ngee was elected to the Board as director representing Institutional Members on 29 May 2009. He is a member of the Human Resource & Remuneration Committee and Nominating Committee. Mr Teo is an Adviser to the Amalgamated Union of Public Employees (AUPE). He was conferred as Fellow of the Ong Teng Cheong Labour Leadership Institute on 8 January 2011. He is also an Adviser to NTUC Membership Organising Resource Centre.

Mr Teo served as a Nominated Member of Parliament from 2004 to 2006. He is a Director of AUPE Multi-Purpose Co-operative Ltd. He has been appointed as Chief Executive of the AUPE Sports & Recreation Club in March 2011. He sits on the Board and Management Council of various organisations including NTUC Learning Hub Pte Ltd and the NTUC Club. He also sits on the Employee Panel of the Industrial Arbitration Court.

GONG WEE LIK
DIRECTOR

Mr Gong Wee Lik was elected to the Board as director representing Institutional Members on 29 May 2009. He is a member of the Risk Management Committee and Audit Committee. Mr Gong is the Centric Director for Membership Communities at the National Trades Union Congress (NTUC). Prior to joining the NTUC in May 2008, he was the Deputy Managing Director of the Economic Development Board, responsible for the Global Operations and Corporate Development. Between November 1996 and December 1997, Mr Gong also held concurrent appointment as Executive Director of the National Science and Technology Board (now known as Agency for Science, Technology and Research).

Mr Gong is currently a Board member of NTUC Link Pte Ltd and a Committee Member of Orchid Country Club.

SUNG CHENG CHIH
DIRECTOR

Dr Sung Cheng Chih was elected to the Board on 24 May 2011 as director representing the Founder Member. He is a member of the Investment Committee and Risk Management Committee. Dr Sung is a consultant with the Government of Singapore Investment Corporation (GIC). He joined the GIC in 1993 and retired as Managing Director and Chief Risk Officer for the GIC Group in 2011.

Dr Sung is currently serving as consultant and risk advisor to the SGX, investment advisor to the Ministry of Finance in Singapore and a member of the Expert Panel of the Norwegian Ministry of Finance. He is also a member of the Financial Research Council under the Monetary Authority of Singapore, the Management Board of the Risk Management Institute in Singapore and the Investment Committee of the Singapore University of Technology & Design. Dr Sung studied Applied Mathematics at the University of Waterloo and also holds a PhD degree in Pure Mathematics from the University of Minnesota.

RICHARD SHERMON
DIRECTOR

Mr Richard Shermon was elected to the Board on 24 May 2011 as director representing the Founder Member. He is a member of the Investment Committee. Mr Shermon is a British national now residing in Australia and managing his own financial consultancy business. He has 20 years of experience in the insurance industry, of which he was the CEO of AXA Life Insurance in Singapore for three years. He is a qualified actuary and has a strong background in actuarial science as well as a good knowledge of the insurance business in UK, Australia and Singapore.

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

CORPORATE GOVERNANCE

INTRODUCTION

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

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

BOARD GOVERNANCE

Board Role and Responsibilities

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

Matters that require Board approval include corporate and financial risk taking, material acquisition and disposal of business assets, share issuance, dividend and bonus declarations, investments and risks exceeding delegated limits, and all other matters as required under the Co-operative's By-Laws.

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.

Board Composition

The Board comprises fourteen members as follows:

Chairman	Ng Kee Choe
Deputy Chairman	Matthias Yao
Directors	Tan Suee Chieh (Chief Executive)
	Gabriel Teo
	Tan Peng Heng
	Tan Cheng Han
	Soh Kim Soon
	Ron Foo
	Audrey Chin
	Philip Eng
	Teo Yock Ngee
	Gong Wee Lik
	Sung Cheng Chih
	Richard Shermon

Dr Sung Cheng Chih and Mr Richard Shermon were elected to the Board at the Co-operative's 41st Annual General Meeting held on 24 May 2011.

CORPORATE GOVERNANCE

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

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 three directors to be independent. The non-independent directors are Mr Tan Suee Chieh who is the Chief Executive, and Mr Teo Yock Ngee and Mr Gong Wee Lik who are connected to the substantial shareholder.

Board Meetings and Attendance
The Board conducts five scheduled meetings a year and additional meetings are held when deemed necessary. At these meetings, the Board reviews the Co-operative's financial performance, corporate strategy, business plans, strategic operational issues as well as major issues and challenges that the Co-operative may face in the future. Towards the end of the financial year, it also discusses and approves the budget. In 2011, an offsite Directors' Retreat was held in November to approve the 2012 to 2015 business plan as well as to operationalise the social proposition for the Co-operative which was agreed at the 2010 Board Retreat via a series of Do Good initiatives aimed at making a social impact. The Retreat also enabled the directors to interact with senior management in an informal setting.

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

The directors attend the Annual General Meeting, 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.

CORPORATE GOVERNANCE

Directors' Attendance at Board and Board Committee Meetings in 2011

Name of Director	Board		Audit Committee (AC)		Investment Committee (IC)	
	No. of meetings		No. of meetings		No. of meetings	
	Held@	Attended	Held@	Attended	Held@	Attended
Ng Kee Choe	5	5	-	-	-	-
Matthias Yao	5	5	5	4	-	-
Tan Suee Chieh	5	5	-	-	4	4
Gabriel Teo	5	5	-	-	4	4
Tan Peng Heng	5	5	-	-	-	-
Tan Cheng Han	5	4	5	3	-	-
Soh Kim Soon(1)	5	4	-	-	-	-
Ron Foo	5	4	5	5	-	-
Audrey Chin(2)	5	5	-	-	4	4
Philip Eng	5	5	5	4	4	2
Teo Yock Ngee(3)	5	5	4	3	-	-
Gong Wee Lik(4)	5	5	1	1	-	-
Sung Cheng Chih(5)	2	2	-	-	4	3
Richard Shermon(6)	2	2	-	-	3	3

Directors' Attendance at Board and Board Committee Meetings in 2011

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
Ng Kee Choe	-	-	-	-	-	-
Matthias Yao	4	3	4	4	3	3
Tan Suee Chieh	4	4	-	-	-	-
Gabriel Teo	-	-	4	4	3	3
Tan Peng Heng	4	4	4	4	3	3
Tan Cheng Han	-	-	4	3	3	2
Soh Kim Soon(1)	4	4	-	-	-	-
Ron Foo	-	-	-	-	-	-
Audrey Chin(2)	2	2	-	-	-	-
Philip Eng	-	-	-	-	-	-
Teo Yock Ngee(3)	-	-	-	-	-	-
Gong Wee Lik(4)	4	3	-	-	-	-
Sung Cheng Chih(5)	4	4	-	-	-	-
Richard Shermon(6)	-	-	-	-	-	-

@ Number of meetings held during the period the director was a member of the Board and/or Board Committee
\# Additional approvals from NC were obtained via circulation

(1) Appointed as member of NC on 5 Sep 2011
(2) Stepped down as member of RMC on 1 July 2011
(3) Stepped down as member of AC and appointed as Member of HRRC on 1 July 2011, and as Member of NC on 5 Sep 2011
(4) Appointed as member of AC on 1 July 2011
(5) Appointed as independent member of IC and RMC on 3 Jan 2011. Elected as director at 41st AGM on 24 May 2011 and appointed as Board member of IC and RMC on 1 July 2011
(6) Elected as director at 41st AGM on 24 May 2011 and appointed as Member of IC on 1 July 2011

CORPORATE GOVERNANCE

Chairman and Chief Executive
The roles of the Chairman and Chief Executive (CEO) are distinct and separate, with a clear division of responsibilities. This is consistent with the principle of ensuring a balance of power and authority. It also provides for greater accountability and independent decision making. The Chairman, Mr Ng Kee Choe, is an independent non-executive director, while the CEO, Mr Tan Suee Chieh, is a non independent executive director.

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 Annual General Meetings in fostering constructive dialogue between the members of the Co-operative, the Board and senior management. Members' questions and concerns are addressed at these meetings.

The CEO is the most senior executive and assumes executive responsibility for the Co-operative's business. He oversees the execution of the Co-operative's corporate and business strategy and is overall responsible for managing its operations.

Board Training
The Co-operative has an induction programme to provide new directors with structured training which includes introductory information on the Co-operative, briefings by senior management on the Co-operative's history, corporate profile, key performance measures, strategy, business plan and risk management. A half-day induction program was conducted in 2011 for the two newly elected directors.

Management ensures that the Board receives regular reports on the Co-operative's financial performance and operations, and is provided with relevant information to facilitate discussions on specific matters and issues. The Board is also regularly briefed on accounting and regulatory changes, as well as on major industry and market developments. Information on appropriate external training programmes and seminars are also circulated as part of the continuous development programme for directors.

Board Evaluation
The Board has implemented an annual evaluation process which is carried out by the NC to assess the performance and effectiveness of the Board as a whole. All directors participate in the evaluation which is conducted through confidential completion of an evaluation questionnaire. The Board evaluation covers a wide range of matters including Board composition, Board process, Board accountability, standard of conduct and social impact.

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

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

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

Each of the Committees has its own clearly defined terms of reference which describe its objectives, composition, and key duties and responsibilities. The minutes of Board Committee meetings are circulated to the Board.

CORPORATE GOVERNANCE

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

Chairman	Ron Foo
Members	Matthias Yao
	Tan Cheng Han
	Philip Eng
	Gong Wee Lik (appointed on 1 July 2011)

Mr Teo Yock Ngee stepped down as a member of the AC on 1 July 2011.

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

The Head of Internal Audit has a direct reporting line to the Chairman of the AC. The internal audit function resides in-house and is independent of the activities it audits. Internal Audit's summary of major findings and recommendations and management's related responses are discussed at the AC meetings. The AC also reviews annually the adequacy of the internal audit function.

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

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

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

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

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

CORPORATE GOVERNANCE

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

Investment Committee

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

Chairman	Gabriel Teo
Members	Tan Suee Chieh (Chief Executive)
	Audrey Chin
	Philip Eng
	Sung Cheng Chih
	Mark Birch (Appointed Actuary)
	Peter Michael Heng (Chief Investment Officer)

Dr Sung Cheng Chih was appointed as an independent member of the IC on 3 January 2011 and as a board member of the IC with effect from 1 July 2011, following his election to the Board. Mr Ken Ng relinquished his position as the Appointed Actuary of NTUC Income with effect from 15 November 2011. Mr Mark Birch of Towers Watson was appointed as Appointed Actuary for an interim period of six months from 9 December 2011.

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

The key duties and responsibilities of the IC are:

- To recommend the investment policy for approval by the Board and ensure that the approved investment policy is implemented in an appropriate manner
- To 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
- To ensure the investment policy is consistent with the asset liability management strategies, including for new products where appropriate
- To ensure the investment policy of the participating fund is consistent with bonus strategy
- To assist the Board to discharge its responsibilities under the MAS Notice 317 through yearly review of the adequacy and relevance of the investment policy of the Co-operative - in terms of overall risk tolerance, long-term risk-return requirements and solvency position – in the light of business activities and risk profile, and present its review to the Board
- To ensure that internal control systems and risk management functions overseeing investment related activities are adequate and appropriate
- To ensure resources dedicated to the investment activities of the Co-operative are sufficient to implement and manage the approved investment policy and any other activities requested by the Board

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

The IC held a total of four regular meetings. It considered a number of specific and major investment initiatives, including specific initiatives on asset-liability and investment management and property investment. In addition, the IC also reviewed the investment philosophy and asset liability management philosophy to ensure that it remained appropriate and effective over the medium term.

CORPORATE GOVERNANCE

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

Chairman	Soh Kim Soon
Members	Matthias Yao
	Tan Suee Chieh (Chief Executive)
	Tan Peng Heng
	Gong Wee Lik
	Sung Cheng Chih

Dr Sung Cheng Chih was appointed as an independent member of the RMC on 3 January 2011 and thereafter, as a board member of the RMC with effect from 1 July 2011, following his election to the Board. Dr Audrey Chin stepped down as a member of the RMC with effect from 1 July 2011.

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

The key duties and responsibilities of the RMC are:

- To approve the framework and policies for risk management
- To set enterprise level risk appetite in relation to solvency
- To ensure management has established adequate systems and processes to implement robust risk management
- To identify, monitor, control and report key risks
- To highlight to the Board issues of concern on key business risks

Mr Ken Ng resigned as the Chief Risk Officer (CRO) and Ms Kate Chiew was appointed as the new CRO with effect from 20 August 2011. The CRO has a direct reporting relationship to the RMC.

The RMC held four meetings during the year. It reviewed and discussed with management the risk management strategy and plans forward, and the risk management framework, including the quantification of risks, with the objective of further strengthening the Co-operative's risk management approaches, practices and responses to key risks. The RMC reviewed amongst others, the Co-operative's solvency management, country risk management, business continuity management and operational risk management, to establish that these risks are properly and pro-actively managed amidst the current environment and market developments.

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

Chairman	Matthias Yao
Members	Gabriel Teo
	Tan Peng Heng
	Tan Cheng Han
	Soh Kim Soon (appointed on 5 Sep 2011)
	Teo Yock Ngee (appointed on 5 Sep 2011)

The key duties and responsibilities of the NC are:

- To make recommendations to the Board of Directors on all Board of Directors' appointments and re-appointments including the appointment of members of the Board committees
- To determine the criteria to be applied in identifying suitable candidates, reviewing nominations and re-nominations for appointments to the Board of Directors and Board committees
- To identify candidates and review nominations for the appointment of the Principal Officer, Deputy Principal Officer, Appointed Actuary, Chief Financial Officer and Chief Risk Officer
- To review the reasons provided by each director, each member of Board committee, the Principal Officer, Deputy Principal Officer, Appointed Actuary, Chief Financial Officer and Chief Risk Officer for his resignation from his appointment

CORPORATE GOVERNANCE

- To ensure that each nominee is fit and proper and is the best and most qualified candidate nominated for the office, taking into account the candidate's contribution and performance, including his track record, age, experience, capabilities and other factors as may be deemed relevant
- To decide how the performance of the Board of Directors may be evaluated and propose performance criteria to the Board of Directors for approval
- To assess skills of directors on an annual basis and identify whether the Board of Directors or Board committees lack any skills
- To determine annually the independence of each director based on the definition and criteria set out in the provisions of the Insurance (Corporate Governance) Regulations 2005, including any amendment thereto.
- To review and assess whether each existing director remains qualified for the office using the criteria set out in the provisions of the Insurance (Corporate Governance) Regulations 2005, including any amendment thereto, and to notify MAS in writing of the review and assessment
- To ensure that all directors who continue in service submit themselves for re-nomination and re-election at regular intervals and at least every three years
- To decide whether a director who serves on multiple boards is able to and has been adequately discharging his or her duties, based on internal guidelines which address the competing time commitments that are faced when directors serve on multiple boards

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

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

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

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

The NC met four times during the year. It reviewed the Committee's terms of reference, the composition and membership of the Board and Board Committees, the criteria for the assessment of candidates for appointment to the Board and Board Committees and the skills and competencies needed on the Board. The NC also carried out the annual Board evaluation exercise.

Human Resource & Remuneration Committee

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

Chairman	Matthias Yao
Members	Gabriel Teo
	Tan Peng Heng
	Tan Cheng Han
	Teo Yock Ngee (appointed on 1 July 2011)

CORPORATE GOVERNANCE

The key duties and responsibilities of the HRRC are:

- To review and recommend a framework for determining the remuneration of non-executive directors and Chief Executive Officer
- To review and recommend a framework for determining the remuneration of executive officers based on the factors set out in the Insurance (Corporate Governance) Regulations 2005, including any amendment thereto
- To review and recommend to the Board of Directors the remuneration plan for the Chief Executive Officer
- To review and approve the remuneration plans for senior management, defined as Senior Vice Presidents and above
- To review the remuneration practices at least once in each year to ensure that they are aligned with the remuneration framework
- To provide oversight on talent management and development of senior management
- To review and approve succession plans for senior management
- To review appointments and terminations of senior management and to recommend to the Nominating Committee for approval
- To review and recommend the remuneration of non-executive directors to members for approval at the Annual General Meeting

The HRRC met thrice during the year. The key areas reviewed were the impact of changes to the MAS Corporate Governance Guidelines & Regulations and the reorientation of performance measures. 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 and effective supervisory oversight.

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 75%-25% for employees and 70%-30% for managers. For senior management, the approximate mix is about 65%-35%. In order to ensure that its remuneration package is competitive, the Co-operative regularly reviews its base salary ranges and benefits package based on market data. Each job is graded and base salary ranges are established (by using the market median as a midpoint guide) for each respective grade.

Remuneration of Non-Executive Directors

The remuneration of non-executive directors is based on a fee structure recommended by the National Trades Union Congress (NTUC) as the Founder Member of the NTUC Co-operatives. The structure was approved by the Registrar of Co-operative Societies and annual approval from members is sought at the Annual General Meeting.

The approved fee structure at the last Annual General Meeting for non-executive directors is as follows:
$32,000 per annum to Board Chairman
$28,000 per annum to Deputy Chairman / Chairman of Investment, Audit, or Risk Management Committee
$24,000 per annum to Member of Investment, Audit, or Risk Management Committee/ Chairmen of other Board Committees
$20,000 per annum to Member of other Board Committees

In addition, a fee of $50 is paid per attendance at Board meetings. There were five Board meetings in 2011.

CORPORATE GOVERNANCE

Non-Executive Directors' Remuneration for 2011

Name of Director	Director's Fee	Fee for attendance at Board meetings	Total Remuneration
Ng Kee Choe	$32,000.00	$250	$32,250.00
Matthias Yao	$28,000.00	$250	$28,250.00
Gabriel Teo	$28,000.00	$250	$28,250.00
Tan Peng Heng	$24,000.00	$250	$24,250.00
Tan Cheng Han	$24,000.00	$200	$24,200.00
Soh Kim Soon	$28,000.00	$200	$28,200.00
Ron Foo	$28,000.00	$200	$28,200.00
Audrey Chin	$24,000.00	$200	$24,200.00
Philip Eng	$24,000.00	$250	$24,250.00
Teo Yock Ngee	$21,983.56	$250	$22,233.56
Gong Wee Lik	$24,000.00	$200	$24,200.00
Sung Cheng Chih(1)	$19,901.37(2)	$100	$20,001.37
Richard Shermon(1)	$13,764.38	$100	$13,864.38

(1) Elected as director at the 41st AGM on 24 May 2011

(2) Includes fee paid as independent member of IC and RMC from 3 Jan 2011 to 30 Jun 2011

Immediate Family Member of Directors

The Co-operative did not employ any immediate family member of a director in 2011.

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 Annual General Meetings where they can ask questions and communicate their views. The directors, senior management and external auditors are present at these meetings to address queries and concerns raised by members.

RISK MANAGEMENT STRATEGY

Risk Management Overview

Risk management is a key element of our corporate management. The role of risk management is to ensure risks are properly identified, assessed, controlled or mitigated, so as to safeguard our financial strength and business continuity, and enable us to fulfill our obligations to our customers and stakeholders. We achieve these objectives through having a risk management framework that encompasses all key areas of our operations.

This Risk Management Strategy, as formulated by the Risk Management Committee (RMC) and approved by the Board, serves to ensure that the risk management framework, processes and controls are in place to identify, assess and manage material risks consistently across all business activities.

CORPORATE GOVERNANCE

Risk Management Principles
Risk is defined as events which have a range of probabilistic outcomes, some of which have a negative impact on the organisation. Risk is a key part of our business and the objective of risk management is to ensure that these risks are properly identified, assessed, controlled or mitigated.

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

1. Market Risk
2. Insurance Risk
3. Credit Risk
4. Operational Risk
5. Reputation Risk

Risk Appetite
- We target to assume risks which in aggregate are at levels prudent in relation to our capital strength, and which are aligned with our operational capabilities, and for which we are appropriately compensated
- Specific risk strategies and appetite are established for each of the categories of risk. They set the boundaries within which management is expected to operate as they seek to deliver the Co-operative's business objectives
- Each of the business lines is responsible for ensuring their business strategies align with the established risk appetite, for thoroughly evaluating and managing all risk exposures consistent with our enterprise risk policies and for earning economic returns commensurate with the level of risk assumed
- A formal review of our risk appetite and quality of risks is undertaken on a regular basis
- Annual review for policies and procedures that facilitate the identification and management of material risks, and those relating to the monitoring and reporting of risk issues are conducted

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

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

The role of the Risk & Executive Committee is to implement the Risk Management Strategy through:
- Institution of appropriate policies, processes and procedures
- Review of material risk evaluation methodologies and approval processes
- Monitor, review and reporting of risk exposures and limits
- Shape and promote appropriate risk culture throughout the organisation

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

CORPORATE GOVERNANCE

Management and Mitigating of Specific Risk Categories

1. Market Risk
   Market Risk is the risk to NTUC Income's financial condition arising from adverse movements in the level or volatility of market prices and long term investment performance.

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

   The Investment Committee approves policies governing asset and liability risk management. The Chief Actuary ensures that the liability considerations are fully incorporated into investment decisions. Asset liabilities studies are carried out on a regular basis to aid decision making.

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

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

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

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

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

   Operational Risks are managed through:
   - Establishing and executing enterprise-wide risk management strategies for specific operational risks that could materially impact our ability to do business or impact our reputation
   - Self Risk Assessment
     Heads of Business Units are accountable for the day-to-day management of the operational risks inherent in their operations. They identify and assess key risks and controls, and design controls and action plans to manage operational risks as part of their overall portfolio of risk, and to achieve an effective internal controls environment
   - Use of appropriate operational risk management tools, methodology and mitigation strategies to identify, assess and monitor key operational risk exposures
   - Risk reviews by the Risk Management function on specific areas of concern to identify areas for improvements and to close gaps or weaknesses

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

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

APPOINTED ACTUARY'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

For 2011, the economic environment remains volatile and uncertain. The Co-operative remains financially sound and insurance contract provisions are sufficient to meet future obligations. The overall growth was $1.2 billion for our assets and $1.0 billion for insurance contract provisions.

Insurance Funds	*** Net Assets ($million)**			**Insurance Contract Provisions ($million)**		
	31-Dec-10	**31-Dec-11**	**% change**	**31-Dec-10**	**31-Dec-11**	**% change**
Life Insurance Funds						
Participating Fund	21,026	22,039	4.8%	20,856	21,835 ^	4.7%
Non-Participating Fund	1,764	2,072	17.5%	1,098	1,185	7.9%
Investment-Linked Fund	1,310	1,176	-10.2%	1,307	1,174	-10.2%
General Insurance Fund	1,127	1,148	1.9%	581	630	8.4%
Total Insurance Funds	25,227	26,435	4.8%	23,842	24,824	4.1%

* Net Assets is the assets net of other liabilities.
^ Includes Investment contract liabilities of $243 million.

The insurance contract provisions are valued on the statutory risk-based capital (RBC) basis, taking into account of all contractual liabilities. For the Life Insurance Participating Fund, total insurance contract provisions include non-guaranteed policy liabilities and an allowance for future bonuses. This year, based on our investigation of recent experience we have updated our reserving assumptions for future lapses, management expenses and annuity mortality to reflect expected experience more closely. The net effect of this was a reduction in insurance contract provisions of $77.0 million.

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

Investment return is a key consideration for surplus distribution. The return for the Life Insurance Participating Fund in 2011 was at -0.82%. As long term investors, we do look to average the performance over the long term horizon and it is this which primarily drives our bonus allocation. Short term fluctuations will be smoothed out.

My recommendation is to maintain the same annual bonus scale as declared in 2011 and adopt the restructured special (or terminal) bonus scales planned for 2012. With this, the total cost of bonus would amount to $367.3 million. This includes $74.9 million of bonus that was paid, in anticipation of surplus, on policies that terminated in the year 2011. Details on bonus rates are set out in Appendix A.

APPOINTED ACTUARY'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Below is a summary of the financials after taking account of the following changes in the respective insurance funds in 2011.

(in $ million)	Life Insurance Participating Fund	Life Insurance Non-Par Fund	Investment Linked Fund	General Insurance Fund
Accumulated Surplus held in Insurance Funds as at 31 Dec 2010	170.7	176.7	2.4	548.1
Add Investment Income from Surplus Account	0.2	NA	NA	NA
Add Net Surplus for the year ^	40.8*	236.5	(1.1)	(29.1)
Less transfer to reserve for future distribution	0.0	164.3	0.0	0.0
Less transfer to Shareholders' Fund	7.4	14.8	0.0	0.2
Accumulated Surplus held in Insurance Funds as at 31 Dec 2011	204.3	234.1	1.3	518.8

^ Net of Allocation of management expenses excluding investment income from surplus account.

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

I recommended to the Board of Directors a transfer of one-ninth of the total cost of bonus, or $40.8 million, to the Life Insurance Participating Fund Surplus Account. In addition, we will continue to transfer 18% of this amount (or $7.4 million) to the Shareholders' Fund.

I also recommend a transfer to the Shareholders' Fund of $14.8 million from the Life Insurance Non-Participating Fund and $0.2 million from the General Insurance Fund.

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

MARK BIRCH
Appointed Actuary

Singapore, 23 March 2012

APPOINTED ACTUARY'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Appendix A

BONUS RATES

(a) Annual bonus and Compounding rates

Bonus Series	2011 Annual Bonus Rates	2011 Compounding Rates
EV – Ltd Pay Living/Protection (LPLP)	$13	1.30%
EV – PayMyUni	$13	1.30%
EV – Revosave	$13	1.30%
EV – Vivolife	$7	0.70%
EV – Reach	$10	1.00%
EV – Dreamsaver	NA	NA
EV – SAiL	$16	1.60%
EV – RP SAiL	$12	1.20%
LP – Whole Life Policy	$13	1.30%
LP – Harvest Policy (Ver 1)	$11	1.10%
LP – Growth Policy	$10	1.00%
LP – Endowment & Harvest Policy (Ver 2)	$13	1.30%
CB – Whole Life Policy	$15	1.50%
CB – Others	$15	1.50%
DP – Whole Life Policy	$15	1.50%
SB – Whole Life Policy	$15	1.50%
SB – Others	$15	1.50%
AD	$40	4.75%
Annuity – Y	0.00%	0.00%
Annuity – H	1.00%	1.00%
Annuity – K	2.50%	2.50%
Annuity – K1	2.00%	2.00%
Paid-up policies	$0	0.00%

Note:
- Annual bonus rates are quoted per $1,000 sum assured. For participating annuities, they are quoted as a percentage addition to the monthly annuity payment.
- There are special features for some plans and bonus series.

These bonuses will be declared on policies in force as at 31 December 2011. They will vest on 1 April 2012 or the second policy anniversary of the policy, whichever is later. For regular premium policies, it is subject to payment of the full year's premium to the policy anniversary in 2011. For annuities, bonus is added on their policy anniversaries from 1 April 2012 to 31 March 2013.

APPOINTED ACTUARY'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) Terminal Bonus

LP Series

	For Deaths & Maturities			For Surrenders		
Policy Year	Whole Life	Endowment Harvest (v2)	Growth Harvest (v1)	Whole Life	Endowment Harvest (v2)	Growth Harvest (v1)
5	125%	95%	102%	80%	56%	62%
10	84%	66%	69%	69%	53%	56%
15	65%	53%	55%	52%	41%	42%
20	57%	47%	48%	57%	47%	48%
25	51%	43%	44%	51%	43%	44%
30	48%	41%	41%	48%	41%	41%
35	46%	39%	39%	46%	39%	39%
40	44%	38%	38%	44%	38%	38%

CB Series

	For Deaths & Maturities		For Surrenders	
Policy Year	Whole Life	Endowment	Whole Life	Endowment
5	154%	128%	103%	82%
10	66%	58%	33%	27%
15	49%	44%	37%	33%
20	41%	38%	30%	27%
25	38%	35%	38%	35%
30	36%	33%	36%	33%
35	NA	NA	NA	NA
40	NA	NA	NA	NA

EV Series – part 1

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

APPOINTED ACTUARY'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

Appendix A (continued)

BONUS RATES (CONTINUED)

(b) ***Terminal Bonus*** (continued)

EV Series – part 2

	For Deaths & Maturities				For Surrenders			
Policy Year	Reach	Dreamsaver	SAiL	RP SAiL	Reach	Dreamsaver	SAiL	RP SAiL
5	50%	400%	185%	46%	25%	0%	170%	41%
10	80%	950%	195%	151%	70%	900%	180%	140%
15	NA	NA	240%	248%	NA	0%	220%	231%
20	NA	NA	285%	339%	NA	0%	266%	320%
25	NA	NA	332%	420%	NA	0%	316%	393%
30	NA	NA	384%	516%	NA	0%	374%	484%
35	NA	NA	NA	NA	NA	0%	NA	NA
40	NA	NA	NA	NA	NA	0%	NA	NA

Other Series

	For Deaths & Maturities				For Surrenders			
Policy Year	SB Series (WL)	SB Series (Endowment)	DP Series	AD Series	SB Series (WL)	SB Series (Endowment)	DP Series	AD Series
5	84%	70%	0%	25%	47%	36%	0%	0%
10	47%	42%	0%	25%	18%	14%	0%	15%
15	39%	35%	32%	25%	28%	24%	21%	15%
20	34%	32%	30%	25%	24%	21%	19%	25%
25	32%	30%	29%	25%	32%	30%	29%	25%
30	31%	29%	29%	25%	31%	29%	29%	25%
35	30%	29%	28%	25%	30%	29%	28%	25%
40	30%	28%	NA	25%	30%	28%	NA	25%

Special (or terminal) bonus above is calculated as a percentage of the accumulated annual bonus, and is applicable to the policies experiencing the above specified events during year 2012. For Dreamsaver, the special bonus rates are declared as a percentage of the monthly premiums.

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

In the opinion of the directors,

(a) the consolidated financial statements of the Group as set out on pages 28 to 101 are drawn up so as to give a true and fair view of the state of affairs of the Group as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended 31 December 2011; and

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

On behalf of the Board of Directors

Ng Kee Choe	**Ron Foo Siang Guan**	**Tan Suee Chieh**
Chairman	Director	Principal Officer

Singapore, 23 March 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NTUC INCOME INSURANCE CO-OPERATIVE LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of NTUC Income Insurance Co-operative Limited and its subsidiaries (the "Group") set out on pages 28 to 101, which comprise the consolidated balance sheet of the Group as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Co-operative Societies Act (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As stated in Notes 2(r) and 18 of the financial statements, the share capital and treasury shares of the Co-operative do not qualify as equity in accordance with the provisions of Financial Reporting Standard 32, Financial Instruments: Presentation, and should instead be classified as financial liabilities. Had it been done, the share capital of $439,121,000 (2010: $438,713,000) and the corresponding treasury shares of $14,159,000 (2010: $14,159,000) would be reflected as liabilities, and dividends paid of $33,954,000 (2010: $38,432,000) would be reflected as a finance cost instead of a distribution to participating members.

Qualified Opinion

In our opinion, except for the presentation of the share capital and treasury shares as equity, and dividends as a distribution to participating members, the consolidated financial statements of the Group are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group as at 31 December 2011, and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NTUC INCOME INSURANCE CO-OPERATIVE LIMITED

Report on Other Legal and Regulatory Requirements
In our opinion,

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

(b) the receipts, expenditure and investment of monies and the acquisition and disposal of assets by the Co-operative and the Group during the financial year have been in accordance with the By-laws of the Co-operative and the provisions of the Co-operative Societies Act, Chapter 62.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Public Accountants and Certified Public Accountants

Singapore, 23 March 2012

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER 2011

	Note	The Group 2011					
		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	**10,610**	**-**	**-**	**-**	**-**	**10,610**
Intangible assets	6	**28,452**	**-**	**-**	**-**	**-**	**28,452**
Investment properties	7	**940,955**	**-**	**-**	**-**	**-**	**940,955**
Investment in joint venture	9	**96,751**	**-**	**-**	**-**	**-**	**96,751**
Investment in associated companies	10	**355,859**	**-**	**-**	**-**	**10,517**	**366,376**
Other financial assets	11	**18,468,474**	**2,021,193**	**1,135,718**	**1,038,475**	**182,219**	**22,846,079**
Loans	12	**1,126,374**	**-**	**-**	**168**	**89,663**	**1,216,205**
Derivative financial instruments	13	**96,117**	**643**	**2,944**	**1,983**	**2,799**	**104,486**
Reinsurers' share of insurance contract provisions	14	**-**	**-**	**-**	**35,850**	**-**	**35,850**
Insurance and other receivables	15	**184,824**	**33,042**	**9,669**	**21,511**	**23,065**	**272,111**
Cash and cash equivalents	16	**1,262,583**	**87,561**	**40,111**	**118,821**	**136,670**	**1,645,746**
		22,570,999	**2,142,439**	**1,188,442**	**1,216,808**	**444,933**	**27,563,621**
LIABILITIES							
Insurance contract provisions	14	**21,813,372**	**1,184,500**	**1,174,298**	**665,405**	**-**	**24,837,575**
Investment contract liabilities		**243,421**	**-**	**-**	**-**	**-**	**243,421**
Derivative financial instruments	13	**81,030**	**5,396**	**1,642**	**5,037**	**3,707**	**96,812**
Insurance and other payables	17	**227,490**	**64,784**	**11,237**	**27,573**	**114,340**	**445,424**
		22,365,313	**1,254,680**	**1,187,177**	**698,015**	**118,047**	**25,623,232**
NET ASSETS		**205,686**	**887,759**	**1,265**	**518,793**	**326,886**	**1,940,389**
SHARE CAPITAL AND RESERVES							
Share capital	18	**-**	**-**	**-**	**-**	**439,121**	**439,121**
Treasury shares		**-**	**-**	**-**	**-**	**(14,159)**	**(14,159)**
Reserves for future distribution	19	**-**	**653,712**	**-**	**-**	**-**	**653,712**
Fair value reserve		**-**	**-**	**-**	**-**	**(30,719)**	**(30,719)**
Accumulated deficit of shareholders' fund	26	**-**	**-**	**-**	**-**	**(67,357)**	**(67,357)**
Accumulated surplus of insurance funds							
- Life insurance par fund	25	**204,269**	**-**	**-**	**-**	**-**	**204,269**
- Other insurance funds	26	**-**	**234,047**	**1,265**	**518,793**	**-**	**754,105**
		204,269	**887,759**	**1,265**	**518,793**	**326,886**	**1,938,972**
Non controlling interest		**1,417**	**-**	**-**	**-**	**-**	**1,417**
Total equity		**205,686**	**887,759**	**1,265**	**518,793**	**326,886**	**1,940,389**

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER 2011

		The Group					
		2010					
	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	7,894	-	-	-	-	7,894
Intangible assets	6	26,222	-	-	-	-	26,222
Investment properties	7	1,055,786	-	-	-	-	1,055,786
Investment in associated companies	10	301,665	-	-	-	-	301,665
Other financial assets	11	17,891,731	1,693,492	1,284,318	1,094,203	379,105	22,342,849
Loans	12	868,932	-	-	157	-	869,089
Derivative financial instruments	13	276,254	1,261	6,869	1,379	12,075	297,838
Reinsurers' share of insurance contract provisions	14	-	-	-	33,488	-	33,488
Insurance and other receivables	15	100,612	30,728	31,691	12,824	25,658	201,513
Cash and cash equivalents	16	1,018,980	87,321	38,424	65,629	10,232	1,220,586
		21,548,076	1,812,802	1,361,302	1,207,680	427,070	26,356,930
LIABILITIES							
Insurance contract provisions	14	20,612,165	1,097,687	1,307,145	614,264	-	23,631,261
Investment contract liabilities		243,654	-	-	-	-	243,654
Derivative financial instruments	13	64,821	-	3,904	-	5,139	73,864
Insurance and other payables	17	455,383	49,042	47,896	47,681	17,807	617,809
		21,376,023	1,146,729	1,358,945	661,945	22,946	24,566,588
NET ASSETS		172,053	666,073	2,357	545,735	404,124	1,790,342
SHARE CAPITAL AND RESERVES							
Share capital	18	-	-	-	-	438,713	438,713
Treasury shares		-	-	-	-	(14,159)	(14,159)
Reserves for future distribution	19	-	489,401	-	-	-	489,401
Fair value reserve		-	-	-	(2,311)	(50)	(2,361)
Accumulated deficit of shareholders' fund	26	-	-	-	-	(20,380)	(20,380)
Accumulated surplus of insurance funds							
- Life insurance par fund	25	170,660	-	-	-	-	170,660
- Other insurance funds	26	-	176,672	2,357	548,046	-	727,075
		170,660	666,073	2,357	545,735	404,124	1,788,949
Non controlling interest		1,393	-	-	-	-	1,393
Total equity		172,053	666,073	2,357	545,735	404,124	1,790,342

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	The Group 2011 Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Gross premiums		3,340,899	536,660	141,526	301,481	-	4,320,566
Reinsurance premiums		(10,900)	(108,044)	-	(12,665)	-	(131,609)
Net premiums		3,329,999	428,616	141,526	288,816	-	4,188,957
Fee and other income	20	17,268	759	-	1,783	116	19,926
Net investment income / (losses) and fair value gains / (losses)	21	(192,747)	197,481	(89,820)	(52,157)	(37,887)	(175,130)
Total		3,154,520	626,856	51,706	238,442	(37,771)	4,033,753
Benefits and claims							
Gross claims, surrenders and annuities		1,838,155	317,970	181,485	154,990	-	2,492,600
Bonus to policyholders	14	292,367	-	-	-	-	292,367
Increase / (decrease) in insurance contract provisions	14	819,746	73,628	(132,847)	40,214	-	800,741
Less: Reinsurers' share of insurance benefits and claims		(6,146)	(69,799)	-	(11,694)	-	(87,639)
Net insurance benefits and claims		2,944,122	321,799	48,638	183,510	-	3,498,069
Expenses							
Selling expenses		114,811	19,627	2,183	34,161	-	170,782
Management expenses	22	54,578	48,943	1,977	49,855	8,747	164,100
Total claims and expenses		3,113,511	390,369	52,798	267,526	8,747	3,832,951
Net operating surplus / (deficit)		41,009	236,487	(1,092)	(29,084)	(46,518)	200,802
Allocation of management and selling expenses		-	-	-	-	-	-
Transfer to insurance contract provisions	14	(32,659)	-	-	-	-	(32,659)
Transfer to Shareholders' Fund		(7,400)	(14,801)	-	(169)	22,370	-
Contribution to Central Co-operative Fund		-	-	-	-	-	-
Contribution to Singapore Labour Foundation		-	-	-	-	10,571	10,571
Share of result of associated companies and joint venture		32,683	-	-	-	554	33,237
Net surplus / (deficit) for the year		33,633	221,686	(1,092)	(29,253)	(13,023)	211,951

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		The Group					
		2010					
	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		2,862,323	508,036	141,299	301,844	-	3,813,502
Reinsurance premiums		(15,616)	(102,356)	-	(18,306)	-	(136,278)
Net premiums		2,846,707	405,680	141,299	283,538	-	3,677,224
Fee and other income	20	21,654	819	-	2,290	2,068	26,831
Net investment income and fair value gains	21	1,131,739	48,024	78,308	60,910	47,459	1,366,440
Total		4,000,100	454,523	219,607	346,738	49,527	5,070,495
Benefits and claims							
Gross claims, surrenders and annuities		1,238,383	282,355	176,961	157,894	-	1,855,593
Bonus to policyholders	14	261,476	-	-	-	-	261,476
Increase in insurance contract provisions	14	2,321,658	104,684	40,555	39,065	-	2,505,962
Less: Reinsurers' share of insurance benefits and claims		(7,518)	(59,430)	-	(8,238)	-	(75,186)
Net insurance benefits and claims		3,813,999	327,609	217,516	188,721	-	4,547,845
Expenses							
Selling expenses		100,317	18,728	1,689	31,722	-	152,456
Management expenses	22	50,102	43,135	1,444	43,800	3,898	142,379
Total claims and expenses		3,964,418	389,472	220,649	264,243	3,898	4,842,680
Net operating surplus / (deficit)		35,682	65,051	(1,042)	82,495	45,629	227,815
Allocation of management and selling expenses		485	115	(61)	103	(642)	-
Transfer to insurance contract provisions	14	(32,432)	-	-	-	-	(32,432)
Transfer to Shareholders' Fund		(6,500)	(6,803)	-	(16,520)	29,823	-
Contribution to Central Co-operative Fund		-	-	-	-	(25)	(25)
Contribution to Singapore Labour Foundation		-	-	-	-	(14,577)	(14,577)
Share of result of associated companies		31,998	-	-	-	-	31,998
Net surplus / (deficit) for the year		29,233	58,363	(1,103)	66,078	60,208	212,779

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		The Group 2011					
	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
Net surplus / (deficit) for the year		33,633	221,686	(1,092)	(29,253)	(13,023)	211,951
Other comprehensive income:							
Financial assets, available-for-sale:							
Fair value gain / (loss) through reserve		55,356	-	-	2,311	(30,669)	26,998
Transfer to reserves for future distribution	19	-	(164,311)	-	-	-	(164,311)
Share in other comprehensive loss of associated companies and joint venture	10	1,079	-	-	-	-	1,079
Transfer to insurance contract provision	14	(1,079)	-	-	-	-	(1,079)
Change in liabilities for insurance contracts arising from unrealised available-for-sale net gains		(55,356)	-	-	-	-	(55,356)
Total comprehensive income		33,633	57,375	(1,092)	(26,942)	(43,692)	19,282
Net surplus / (deficit) for the year excluding non controlling interest		33,609	221,686	(1,092)	(29,253)	(13,023)	211,927
Non controlling interest		24	-	-	-	-	24
		33,633	221,686	(1,092)	(29,253)	(13,023)	211,951
Total comprehensive income / (loss) excluding non controlling interest		33,609	57,375	(1,092)	(26,942)	(43,692)	19,258
Non controlling interest		24	-	-	-	-	24
		33,633	57,375	(1,092)	(26,942)	(43,692)	19,282

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		The Group 2010					
	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
Net surplus / (deficit) for the year		29,233	58,363	(1,103)	66,078	60,208	212,779
Other comprehensive income:							
Financial assets, available-for-sale:							
Fair value gain / (loss) through reserve		1,294	-	-	(2,311)	(50)	(1,067)
Transfer to reserves for future distribution	19	-	(30,957)	-	-	-	(30,957)
Share in other comprehensive loss of associated companies	10	(1,614)	-	-	-	-	(1,614)
Transfer to insurance contract provision	14	1,614	-	-	-	-	1,614
Change in liabilities for insurance contracts arising from unrealised available-for-sale net gains		(1,294)	-	-	-	-	(1,294)
Total comprehensive income		29,233	27,406	(1,103)	63,767	60,158	179,461
Net surplus / (deficit) for the year excluding non controlling interest		29,182	58,363	(1,103)	66,078	60,208	212,728
Non controlling interest		51	-	-	-	-	51
		29,233	58,363	(1,103)	66,078	60,208	212,779
Total comprehensive income / (loss) excluding non controlling interest		29,182	27,406	(1,103)	63,767	60,158	179,410
Non controlling interest		51	-	-	-	-	51
		29,233	27,406	(1,103)	63,767	60,158	179,461

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

		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 2011		**-**	**-**	**-**	**-**	**438,713**	**438,713**
Issuance of participating shares	18	**-**	**-**	**-**	**-**	**1,416**	**1,416**
Redemption of participating shares	18	**-**	**-**	**-**	**-**	**(1,008)**	**(1,008)**
At 31 December 2011		**-**	**-**	**-**	**-**	**439,121**	**439,121**
At 1 January 2010		-	-	-	-	438,613	438,613
Issuance of participating shares	18	-	-	-	-	1,998	1,998
Redemption of participating shares	18	-	-	-	-	(1,898)	(1,898)
At 31 December 2010		-	-	-	-	438,713	438,713
Accumulated surplus							
At 1 January 2011		**170,660**	**176,672**	**2,357**	**548,046**	**(20,380)**	**877,355**
Net surplus / (deficit) for the year		**33,609**	**221,686**	**(1,092)**	**(29,253)**	**(13,023)**	**211,927**
Transfer to reserves for future distribution		**-**	**(164,311)**	**-**	**-**	**-**	**(164,311)**
Transfer between Insurance Funds		**-**	**-**	**-**	**-**	**-**	**-**
Dividends for 2010 paid	24	**-**	**-**	**-**	**-**	**(33,954)**	**(33,954)**
At 31 December 2011		**204,269**	**234,047**	**1,265**	**518,793**	**(67,357)**	**891,017**
At 1 January 2010		141,478	149,266	3,460	517,455	(42,156)	769,503
Net surplus / (deficit) for the year		29,182	58,363	(1,103)	66,078	60,208	212,728
Transfer to reserves for future distribution		-	(66,444)	-	-	-	(66,444)
Transfer between Insurance Funds		-	35,487	-	(35,487)	-	-
Dividends for 2009 paid	24	-	-	-	-	(38,432)	(38,432)
At 31 December 2010		170,660	176,672	2,357	548,046	(20,380)	877,355
Fair value reserve							
At 1 January 2011		**-**	**-**	**-**	**(2,311)**	**(50)**	**(2,361)**
Comprehensive loss for the year		**-**	**-**	**-**	**2,311**	**(30,669)**	**(28,358)**
At 31 December 2011		**-**	**-**	**-**	**-**	**(30,719)**	**(30,719)**
At 1 January 2010		-	-	-	-	-	-
Comprehensive loss for the year		-	-	-	(2,311)	(50)	(2,361)
At 31 December 2010		-	-	-	(2,311)	(50)	(2,361)
Reserves for future distribution							
At 1 January 2011		**-**	**489,401**	**-**	**-**	**-**	**489,401**
Transfer from surplus for the year		**-**	**164,311**	**-**	**-**	**-**	**164,311**
At 31 December 2011	19	**-**	**653,712**	**-**	**-**	**-**	**653,712**
At 1 January 2010		-	422,957	-	-	-	422,957
Transfer from surplus for the year		-	66,444	-	-	-	66,444
At 31 December 2010	19	-	489,401	-	-	-	489,401

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	The Group					
		Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Shareholders' Fund $'000	Total $'000
Treasury shares							
At 1 January 2011		**-**	**-**	**-**	**-**	**(14,159)**	**(14,159)**
At 31 December 2011		**-**	**-**	**-**	**-**	**(14,159)**	**(14,159)**
At 1 January 2010		-	-	-	-	(14,159)	(14,159)
At 31 December 2010		-	-	-	-	(14,159)	(14,159)
At 31 December 2011		**204,269**	**887,759**	**1,265**	**518,793**	**326,886**	**1,938,972**
At 31 December 2010		170,660	666,073	2,357	545,735	404,124	1,788,949
Equity of non-controlling interest							
At 1 January 2011		**1,393**	**-**	**-**	**-**	**-**	**1,393**
Others		**-**	**-**	**-**	**-**	**-**	**-**
Comprehensive income for the year		**24**	**-**	**-**	**-**	**-**	**24**
At 31 December 2011		**1,417**	**-**	**-**	**-**	**-**	**1,417**
At 1 January 2010		-	-	-	-	-	-
Others		1,342	-	-	-	-	1,342
Comprehensive income for the year		51	-	-	-	-	51
At 31 December 2010		1,393	-	-	-	-	1,393
At 31 December 2011		**205,686**	**887,759**	**1,265**	**518,793**	**326,886**	**1,940,389**
At 31 December 2010		172,053	666,073	2,357	545,735	404,124	1,790,342

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
Operating activities			
Net surplus after levy		**211,951**	212,779
Adjustments for:			
Contribution to Central Co-operative Fund and Singapore Labour Foundation		**-**	14,602
Depreciation of property, plant and equipment		**3,841**	5,140
Amortisation of intangible assets		**7,031**	5,618
Gain on disposal of property, plant and equipment and intangible asset		**(40)**	(5)
Interest income		**(46,734)**	(39,819)
Dividend income		**(238,211)**	(184,507)
Loss / (gain) on changes in fair value of other financial assets		**414,059**	(809,696)
Loss on changes in fair value of loans		**10,432**	3,322
Loss / (gain) on changes in fair value of derivatives		**100,379**	(302,891)
Gain on changes in fair value of investment properties		**(88,876)**	(31,283)
Gain on sale of investment properties		**(22,476)**	-
Allowance for impairment made during the year		**32,771**	15,971
Allowance for doubtful loans written back		**(716)**	(501)
Loans written off		**533**	841
Allowance for doubtful receivables written back/utilized		**(4,026)**	(1,909)
Bonus to policyholders		**292,367**	261,476
(Increase) / decrease in reinsurers' share of insurance contract provision		**(2,362)**	4,883
Increase in insurance contract provisions		**912,868**	2,547,373
Share of profit of associated companies and joint venture company		**(33,237)**	(31,998)
Operating cash flows before changes in working capital		**1,549,554**	1,669,396
Changes in working capital:			
Insurance and other receivables		**(61,526)**	959
Insurance and other payables		**(182,956)**	259,193
Investment contract liabilities		**(233)**	(873)
Cash generated from operations		**1,304,839**	1,928,675
Contributions to Singapore Labour Foundation		**10,571**	(35,352)
Contributions to Central Co-operative Fund		**-**	(25)
Cash flows provided by operating activities		**1,315,410**	1,893,298

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

	Note	2011 $'000	2010 $'000
Investing activities			
Purchase of property, plant and equipment		**(7,109)**	(4,013)
Purchase of intangible assets		**(9,261)**	(12,100)
Increase in properties		**(589)**	(5,871)
Proceeds from disposal of property, plant and equipment and intangible assets		**592**	5,723
Proceeds from disposal of an associate		**125**	-
Proceeds from disposal of investment properties		**226,772**	-
Interest received		**536,246**	498,332
Dividends received		**236,920**	184,466
Investment in associated companies and joint venture company		**(127,271)**	-
Increase in investments (net)		**(1,355,764)**	(2,351,158)
Increase in loans (net)		**(357,365)**	(107,208)
Cash flows used in investing activities		**(856,704)**	(1,791,829)
Financing activities			
Proceeds from issuance of participating shares		**1,416**	1,998
Redemption of participating shares		**(1,008)**	(1,898)
Dividends paid to participating members		**(33,954)**	(38,432)
Cash flows used in financing activities		**(33,546)**	(38,332)
Net increase / (decrease) in cash and cash equivalents		**425,160**	63,137
Cash and cash equivalents at beginning of the year		**1,220,586**	1,157,449
Cash and cash equivalents at end of the year	16	**1,645,746**	1,220,586

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

1. GENERAL

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"), under the historical cost convention, except as disclosed in the accounting policies below.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2011

On 1 January 2011, the Group adopted the new or amended FRS and interpretation to FRS ("INT FRS") that are mandatory for application from that date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

(b) Fund accounting

Life Insurance Par Fund

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

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

Life Insurance Non-Par Fund

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Fund accounting (continued)

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

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

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

(c) Classification of insurance and investment contracts

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

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

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

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

(d) Insurance contracts

(i) Recognition and measurement

Life Insurance Contracts

Premium revenue
Premiums from life insurance in-force insurance contracts, including annuities, are recognised as revenue on the due date. Premiums not received on due date are included as revenue. The outstanding premiums are included in "Insurance and other receivables" in the balance sheet.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

Life Insurance Contracts (continued)

Bonuses to policyholders

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

Insurance contract provisions

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

(i) Life Insurance Par Fund

Provision for future participating and certain non-participating benefits in the Life Insurance Par Fund are established using a discounted prospective cash-flow method. It includes the current best estimate of future contractual premiums, expected claims, provisions for adverse deviation and the costs of maintaining the contracts and future renewal expenses.

The liability in respect of the Life Insurance Par Fund is the highest of the gross premium valuation method, the minimum condition liability or the value of policy assets of the fund.

(ii) Life Insurance Non-Par Fund

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

(iii) Investment Linked Fund

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

General Insurance Contracts

Premium revenue

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

(i) Recognition and measurement (continued)

General Insurance Contracts (continued)

Claims

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

Salvage and subrogation reimbursements

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

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

Insurance contract provisions – General Insurance Fund

Provision for unexpired risks

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

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

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

Provision for insurance claims

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

Investment Contracts

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Insurance contracts (continued)

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

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

(iv) Accumulated surplus – Life Insurance Par Fund

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

(v) Reinsurance

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

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

(vi) Liability adequacy tests

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

(e) Revenue

Gross premium

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

Fee and other income

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue (continued)

Investment income

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

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

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

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

(f) Employee compensation

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due, unless they can be capitalised as an asset.

Employee leave entitlements

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

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

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

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

(h) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Singapore Dollars and are rounded to the nearest thousand, unless otherwise stated.

(ii) Transactions and balances

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

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

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

(i) Group accounting

(i) Subsidiaries

Consolidation

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

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

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

Transactions with non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group accounting (continued)

(ii) Joint ventures

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

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

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

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

Unrealised gains on transactions between the Group and its joint ventures 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.

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

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

(iii) Associated companies

Associated companies are entities (not being subsidiaries) in 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 associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Group accounting (continued)

(iii) Associated companies (continued)

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

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

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

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

(j) Property, plant and equipment

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Intangible assets

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

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

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

(l) Investment properties

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

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

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

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

(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 purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The designation of financial assets at fair value through profit or loss is irrevocable.

(i) Investments at fair value through profit or loss

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investment and other financial assets (continued)

(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 expire, or when the financial assets have been transferred, together with substantially all the risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is transferred to profit or loss.

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

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

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

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

(v) Derivative financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Investments and other financial assets (continued)

(vi) Fair value estimation

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group are the current bid prices. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. These techniques include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or option pricing models. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Equity instruments whose value cannot be reliably measured are measured at cost less accumulated impairment losses, if any.

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

(vii) Offsetting financial instruments

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

(n) Impairment of assets

Financial assets carried at amortised costs

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

(i) Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of assets (continued)

Financial assets, available-for-sale

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

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

Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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

(o) 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.

(p) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) Share capital and treasury shares

All paid-up shares are participating shares and are classified as equity, although they do not qualify as equity based on the presentation requirements of Financial Reporting Standards 32, Financial Instruments: Presentation. All shareholders are entitled to redeem their shares at the par value of $10 each or the net asset value of the Group based on the last balance sheet date, whichever is lower.

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

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

(s) Other provisions

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

(t) 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.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Insurance Contract Provisions for Life Insurance

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

The provisions comprise the following liabilities:

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

Valuation Methodology

Assumptions

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for Life Insurance (continued)

Valuation Methodology (continued)

Mortality and Morbidity

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

Persistency

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

Discount Rates

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

Expenses

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

Future Bonuses

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for Life Insurance (continued)

Valuation Methodology (continued)

Assumption table

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

At 31 December 2011

Assumptions	Life Insurance Fund
Interest Rate	MCL*: Risk Free Rates from Year 1 to Year 15, Long Term Rates thereafter PL*: Flat yield of 5.25 %
Provision for adverse deviation (PAD)	Par: Ranges from 83.0 % to 87.5 % of C1* (Insurance Risk charge) PAD Non-Par: 87.5% of C1* (Insurance Risk charge) PAD
Lapse / Surrender Rate	0.0% to 14.0 % depending on type of product
Selling Expense	Based on current commission structure
Management Expense	Par: Initial expense of $190 and Renewal expense of $50 per policy Non-Par: Initial expense ranging from $6.20 to $120 and Renewal expense ranging from $6.20 to $25 per policy
Inflation Rate	1.75%
Non-guaranteed future bonus	2011 Bonus Rates
Mortality (Death & TPD)	Par:90% of S9702M/F Non-Par: 93% to 137% of S9702M/F or Singapore Population Rates or ESTender07 Incidence Rates with mortality improvement, whichever is the appropriate mortality table
Mortality/ Morbidity Rate (Death, TPD & Dread Disease)	Par: Adjusted Mortality / Morbidity Table compiled by the Monetary Authority of Singapore Non-Par: 72% to 81% of of ESTender07 Incidence Rates for Eldershield and Eldershield Supplements
Mortality Rate (Annuities)	Adjusted a(90) mortality table with age reduction and mortality improvement

* Note:
C1 – Component 1 Requirement, per Statutory Returns Form 21
MCL – Minimum Condition Liability; PL – Policy Liability valuation bases

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for Life Insurance (continued)

Effect of Changing Assumptions Used for Life Liability Valuation

For the valuation as at 31 December 2011, the Group has updated the liability valuation assumptions as compared to 1 January 2011 valuation assumptions. The impact of the changes in the valuation assumptions is in the table shown below:

Life Insurance Par Fund

Changes	Change in insurance contract provision for guaranteed benefits ($'000)	% Increase / (decrease) in insurance contract provision for guaranteed benefits*
Update of lapse assumption	(112,382)	(0.9%)
Change in annuity mortality assumptions	(10,864)	(0.1%)
Change in management expense assumptions	46,260	0.4%
Update of Risk Free Rates to 31 Dec 2011	17,090	0.1%

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

Life Insurance Non-Par Fund

The Group has updated the liability valuation assumptions as compared to 1 January 2011. The impact of the changes in the valuation assumptions is shown in the table shown below:

Changes	Change in insurance contract provision for guaranteed benefits ($'000)	% Increase / (decrease) in insurance contract provision for guaranteed benefits
Switch to Bornheutter Ferguson Method for DPS IBNR Calculation	(25,116)	(2.5%)
Change in Best-Estimate mortality and morbidity assumption	(93,411)	(9.1%)
Change in MCL PAD assumption	53,639	5.2%
Change in Lapse Assumption	(675)	(0.1%)
Update of Risk Free Rates to 31 Dec 2011	34,004	3.3%

Insurance Contract Provisions for General Insurance

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

These liabilities comprise:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance (continued)

Valuation Methodology

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

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

Assumptions

The key assumptions of the actuarial valuation models include:

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

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

For the valuation as at 31 December 2011, 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	**(27,747)**	**(8.7%)**
- Change in experience	(38,215)	(11.9%)
- Change in ICD assumption	(1,005)	(0.3%)
- Change in BF assumption	(1,795)	(0.6%)
- Change in discounting	2,742	0.9%
- Change in Recovery Rate	164	0.1%
- Change in CHE	10,362	3.2%

The table above summarises the effect of changing assumptions has on 2010 and prior accident years claim liabilities where comparisons can be made to last year's year end liability valuation. The claim liabilities are gross of reinsurance recoveries but net of non-reinsurance recoveries and are inclusive of claims handling expenses and provision for adverse deviation. Without any change in assumptions, the additional 1 year of updated experience would have reduced the claims liability by $38.2 million. Changes in the assumptions used in Incurred Chain Ladder (ICD) and Bornhuetter Ferguson (BF) valuation methods have reduced liability by $1.0 million and $1.8 million respectively. There is also a $10.4 million increase in liability due to 'Claims Handling Expenses' (CHE) assumptions.

Margins for adverse deviation

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Insurance Contract Provisions for General Insurance (continued)

Discounting

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

Gross liabilities

The gross claims liability as at 31 December 2011 is $495 million (2010: $452 million) as compared to net claims liability of $461 million (2010: $421 million).

The premium liability on gross basis is $170 million (2010: $162 million) as compared to net premium liability of $168 million (2010: $160 million).

Development and movement of general insurance claim liabilities

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

$'000

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total
Claims development table 2011												
Accident year ^												
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	175,745	246,049	244,656	212,240	212,084	
1 year later	140,852	189,434	197,057	201,873	198,300	175,776	196,521	240,920	226,472	186,768		
2 years later	142,216	185,858	189,914	196,892	197,168	172,310	194,974	235,024	222,855			
3 years later	140,546	185,424	191,627	195,433	195,546	174,119	193,230	233,214				
4 years later	140,205	182,769	191,504	190,751	193,766	172,861	194,115					
5 years later and beyond	139,300	182,697	190,300	190,943	192,632	172,570						
Estimate of gross cumulative claims	139,300	182,697	190,300	190,943	192,632	172,570	194,115	233,214	222,855	186,768	212,084	2,117,478
Cumulative claim payments	139,230	181,289	189,048	189,213	187,763	164,488	174,944	196,261	156,998	101,607	51,651	1,732,492
Estimate of gross claim liabilities	70	1,408	1,252	1,730	4,869	8,082	19,171	36,953	65,857	85,161	160,433	384,986
Effect of discounting	(0)	(2)	(8)	(15)	(41)	(61)	(127)	(257)	(526)	(805)	(1,668)	(3,510)
Claims handling expenses	13	255	226	311	876	1,455	3,455	6,657	11,852	15,304	28,803	69,207
Best estimate of gross claim liability before recoveries	83	1,661	1,470	2,026	5,704	9,476	22,499	43,353	77,183	99,660	187,568	450,683
Estimated gross claim liabilities for prior accident years												597
Recoveries and other adjustments												(2,817)
Provisions for adverse deviation												46,680
Gross claim liabilities												495,143

^ The effect of reinsurance is not material, therefore only gross claim liabilities are disclosed in the table above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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' gross claims liabilities as at last year's valuation:

$'000

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
Claims development table 2010											
Accident year ^											
End of accident year	130,921	180,583	214,700	221,260	211,430	166,473	175,745	246,049	244,656	212,240	
1 year later	140,852	189,434	197,057	201,873	198,300	175,776	196,521	240,920	226,472		
2 years later	142,216	185,858	189,914	196,892	197,168	172,310	194,974	235,024			
3 years later	140,546	185,424	191,627	195,433	195,546	174,119	193,230				
4 years later	140,205	182,769	191,504	190,751	193,766	172,861					
5 years later and beyond	139,425	182,277	190,671	190,902	193,196						
Estimate of gross cumulative claims	139,425	182,277	190,671	190,902	193,196	172,861	193,230	235,024	226,472	212,240	1,936,298
Cumulative claim payments	139,219	180,819	188,781	188,382	185,773	160,052	163,894	176,514	130,105	57,059	1,570,598
Estimate of gross claim liabilities	206	1,458	1,890	2,520	7,423	12,809	29,336	58,510	96,367	155,181	365,700
Effect of discounting	(0)	(7)	(18)	(34)	(75)	(146)	(370)	(874)	(1,728)	(3,099)	(6,351)
Claims handling expenses	29	203	262	348	1,027	1,770	4,050	8,058	13,232	21,263	50,242
Best estimate of gross claim liability before recoveries	235	1,654	2,134	2,834	8,375	14,433	33,016	65,694	107,871	173,345	409,591
Estimated gross claim liabilities for prior accident years											1,006
Recoveries and other adjustments											(2,046)
Provisions for adverse deviation											43,293
Gross claim liabilities											451,844

^ The effect of reinsurance is not material, therefore only gross claim liabilities are disclosed in the table above

Fair value of financial instruments

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS

(a) *Life Insurance Contracts Risk Management*

Insurance Risk in Life Funds

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

Terms and Conditions of Life Insurance Contracts

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

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(a) *Life Insurance Contracts Risk Management (continued)*

Sensitivity Analysis

(i) Life Insurance Par Fund

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

		2011		2010	
Assumption	Change	Impact On Non-Guaranteed Benefit Liabilities ($'000)	Impact On Non-Guaranteed Benefit Liabilities (%)	Impact On Non-Guaranteed Benefit Liabilities ($'000)	Impact On Non-Guaranteed Benefit Liabilities (%)
Interest rates	**+100 bps**	**1,049,423**	**10.9%**	941,315	9.6%
	-100 bps	**(1,409,165)**	**-14.7%**	(1,277,738)	-13.0%
Mortality / morbidity / longevity					
- life insurance contracts, excluding annuities	**+20%**	**(341,099)**	**-3.5%**	(297,931)	-3.0%
	-20%	**332,148**	**3.45%**	289,173	2.9%
- annuities contracts	**Mortality Improvement of 1 Year**	**(27,277)**	**-0.3%**	(25,059)	-0.3%
	Mortality Deterioration of 1 Year	**27,423**	**0.3%**	25,202	0.3%
Lapses	**+20%**	**(364,273)**	**-3.8%**	(356,920)	-3.6%
	-20%	**405,197**	**4.2%**	400,473	4.1%

The non-guaranteed benefit liabilities in the sensitivity analysis represent the value of future bonus and transfers. Assuming policy assets remain the same, a dollar reduction in the guaranteed benefit liabilities results in an additional dollar available for future bonus and transfer. If interest rates are increased by 100 bps, the non-guaranteed benefit liabilities are increased by 10.9% (2010: 9.6%). This would mean that future bonus and transfers may be increased by 10.9% (2010: 9.6%).

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

Profits are defined as the present value of future cash flows before transfer to the Surplus Account and assuming no bonus is declared in the future.

The impact on profits gives an indication of how changes in experience in the future will affect the profits, and thereby, affect the ability of the Group to declare bonus and transfer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(a) *Life Insurance Contracts Risk Management (continued)*

Sensitivity Analysis (continued)

(ii) Life Insurance Non-Par Fund

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

		2011		2010	
Assumption	Change	Impact On Liabilities ($'000)	Impact On Liabilities (%)	Impact On Liabilities ($'000)	Impact On Liabilities (%)
Interest rates	**+100 bps**	**(195,434)**	**-16%**	(186,020)	-17%
	-100 bps	**359,720**	**30%**	318,325	29%
Mortality/ morbidity	**ElderShield: +11.1% Morbidity DPS: +5% Mortality G&H: +20% Morbidity**	**125,464**	**11%**	105,854	10%
	ElderShield: -11.1% Morbidity DPS: -5% Mortality G&H: -20% Morbidity	**(105,565)**	**-9%**	(90,459)	-8%
Lapses	**Eldershield: +50bps DPS: +50bps**	**(23,355)**	**-2%**	(22,391)	-2%
	Eldershield: -50bps DPS: -50bps	**27,564**	**2%**	25,870	2%

For the Life Insurance Non-Par Fund, the analysis is done with respect to the liabilities of the fund. If interest rates increase by 100 bps across the board, the value of liabilities decreases by $195 million (2010: $186 million), and a corresponding amount will be recognised as surplus.

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

(b) *General Insurance Contracts Risk Management*

General Insurance Risks

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) *General Insurance Contracts Risk Management (continued)*

Terms and Conditions of General Insurance Contracts

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

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

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

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

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

Objectives of managing risks and policies for mitigating risks

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

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

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

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

Perils like floods, epidemics and terrorism do present a level of variability and correlation in the future claim experience but these concentration of risks are protected by event excess of loss reinsurance.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(b) General Insurance Contracts Risk Management (continued)

Sensitivity Analysis

Given the uncertainty in establishing the claim liabilities, it is likely that the final outcome will be different from the estimation. The table below gives an indication of the sensitivity of the claim liabilities and the impact on net operating surplus for the year:

		2011		2010	
Assumption	Change	Impact on Net claim liabilities $'000	Impact on Net claim liabilities %	Impact on Net claim liabilities $'000	Impact on Net claim liabilities %
Assumed loss ratio for Bornhuetter Ferguson method	**+20%**	**38,409**	**8%**	37,667	8%
	-20%	**(38,409)**	**-8%**	(37,667)	-8%

(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 business expansion. The Group invests in a variety of market instruments such as bonds and quoted and unquoted equities which expose the Group to a number of risks such as interest rate, liquidity, currency, market and credit risks.

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

(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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(a) Equity price risk

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

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

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

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

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

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

	Impact on net operating surplus	
	2011	**2010**
	$'000	**$'000**
MSCI Singapore		
+23% (2010: +29%)	**540,064**	828,491
-23% (2010: -29%)	**(540,064)**	(828,491)
MSCI Asia ex Japan		
+23% (2010: +28%)	**390,640**	576,147
-23% (2010: -28%)	**(390,640)**	(576,147)
MSCI Global Equities		
+16% (2010: +20%)	**105,097**	164,023
-16% (2010: -20%)	**(105,097)**	(164,023)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(b) Interest rate risk

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

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

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

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

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

The Group's approach is to extend the duration of assets to better match the duration of liabilities. The entire fixed income portfolio is consolidated into a single pool to be matched in principle against the Minimum Condition Liability of the Participating Fund, allowing greater investment flexibility.

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

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

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

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

	Impact on net operating surplus	
	2011	**2010**
	$'000	**$'000**
Parallel shift in yield curves		
+100 bps	**(874,431)**	(715,362)
-100 bps	**840,763**	780,231

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk

Policy on foreign currency risk management

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

The Group mitigates the potential foreign currency risks arising from its investment in financial assets through a combination of direct hedging and managing the foreign currency exposure against the Singapore dollar trade weighted basket. The potential foreign currency risks arising from the investment in foreign currency denominated bonds are hedged using foreign exchange forward contracts and currency swaps.

The Group monitors and rebalances the foreign currency exposure periodically to keep the deviations from the trade weighted basket within the approved tolerances.

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

2011	**USD**	**Euro**	**GBP**	**HKD**	**KRW**	**Others**
Assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Investments						
- Equities	**299,076**	**110,531**	**65,099**	**706,070**	**377,970**	**686,104**
- Debt securities	**2,286,020**	**164,001**	**38,166**	**-**	**-**	**77,937**
- Funds	**688,508**	**50,961**	**552**	**-**	**-**	**24,108**
Cash and cash equivalents	**167,207**	**17,464**	**6,351**	**6,179**	**7,802**	**16,509**
Total	**3,440,811**	**342,957**	**110,168**	**712,249**	**385,772**	**804,658**
Less:						
Derivative contracts (notional)	**(1,416,299)**	**(60,901)**	**(53,291)**	**(104,004)**	**(69,055)**	**(386,858)**
Net foreign currency risk exposure	**2,024,512**	**282,056**	**56,877**	**608,245**	**316,717**	**417,800**

2010	**USD**	**Euro**	**GBP**	**HKD**	**KRW**	**Others**
Assets	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Investments						
- Equities	322,353	111,124	70,704	897,320	461,234	869,507
- Debt securities	1,727,983	230,655	51,082	-	-	105,755
- Funds	751,923	35,432	-	320	-	30,257
Cash and cash equivalents	39,860	3,757	397	10,485	2,273	41,361
Total	2,842,119	380,968	122,183	908,125	463,507	1,046,880
Less:						
Derivative contracts (notional)	(1,667,321)	(267,445)	(17,714)	(71,425)	(44,375)	(965,744)
Net foreign currency risk exposure	1,174,798	113,523	104,469	836,700	419,132	81,136

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

(c) Foreign currency risk (continued)

Policy on foreign currency risk management (continued)

The Group's liabilities are predominantly denominated in Singapore dollars.

The Group's foreign currency risk exposure is closely tracked with its benchmark model.

Consequently, the sensitivity of the Group's foreign currency risk exposure is low. Based on the annualised monthly volatilities, management estimates ±2% (2010: ±2%) change in the relevant currency risk that were reasonably possible at the balance sheet date.

The following table shows Group's sensitivity to foreign currency exposure should those currencies increase or decrease by 2% (2010: 2%) with all other variables held constant.

Currency	Risen / lowered by	Net increase in net operating surplus	
		31 December 2011 $'000	31 December 2010 $'000
GBP	2% (2010: 2%)	**1,138**	2,089
Euro	2% (2010: 2%)	**5,641**	2,270
USD	2% (2010: 2%)	**40,490**	23,496
HKD	2% (2010: 2%)	**12,165**	16,734
KRW	2% (2010: 2%)	**6,334**	8,383

(ii) Credit risk

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

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

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

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

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

Overall investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies.

The corporate loans in the portfolio are generally secured by commercial real estate, thus mitigating credit risk. Evaluating and monitoring of credit risk arising from such lending activities is undertaken by credit analysts. Valuation of the corporate loans' collateral is carried out periodically. The carrying amount of past due or impaired corporate loans on 31 December 2011 is nil (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) *Financial risk (continued)*

(ii) Credit risk (continued)

The consumer loan portfolio as at 31 December 2011 amounts to $65 million (2010: $92 million). This is made up of secured and unsecured loans of which about 95% (2010: 94%) 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.

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

	As at 31 December 2011					
		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	**16,593,638**	**-**	**-**	**-**	**16,593,638**	**-**
Loans	**1,211,033**	**3,192**	**1,658**	**322**	**1,216,205**	**1,209**
Derivatives with positive fair values	**104,486**	**-**	**-**	**-**	**104,486**	**-**
Reinsurers' share of insurance contract provisions	**35,850**	**-**	**-**	**-**	**35,850**	**-**
Insurance and other receivables	**188,594**	**80,624**	**2,597**	**296**	**272,111**	**1,197**
Cash and cash equivalents	**1,645,746**	**-**	**-**	**-**	**1,645,746**	**-**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(ii) Credit risk (continued)

	As at 31 December 2010					
		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	14,782,466	-	-	-	14,782,466	-
Loans	861,216	5,951	1,597	325	869,089	1,925
Derivatives with positive fair values	297,838	-	-	-	297,838	-
Reinsurers' share of insurance contract provisions	33,488	-	-	-	33,488	-
Insurance and other receivables	129,048	67,717	4,595	153	201,513	5,223
Cash and cash equivalents	1,220,586	-	-	-	1,220,586	-

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

As at 31 December 2011	Investment Grade (AAA to BBB-) $'000	Speculative Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Debt securities	**12,645,409**	**121,627**	**3,826,602**	**16,593,638**
Loans	**-**	**-**	**1,216,205**	**1,216,205**
Cash and cash equivalents	**1,645,746**	**-**	**-**	**1,645,746**
Derivatives with positive fair values	**-**	**-**	**104,486**	**104,486**

As at 31 December 2010	Investment Grade (AAA to BBB-) $'000	Speculative Grade (Below BBB-) $'000	Non-rated $'000	Total $'000
Debt securities	11,157,682	112,142	3,512,642	14,782,466
Loans	-	-	869,089	869,089
Cash and cash equivalents	1,220,586	-	-	1,220,586
Derivatives with positive fair values	-	-	297,838	297,838

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(ii) Credit risk (continued)

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

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

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

(iii) Liquidity risk

Liquidity risk arises when the Group is unable to meet its obligations at a reasonable cost. This 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 at a loss to provide the cash lump sum payment.

The Group monitors its liquidity risk and 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 manages liquidity risk by maintaining an adequate level of cash and cash equivalents as well as putting in place an asset liability matching strategy for Life Participating Fund. The liquidity risk is minimised by holding cash and also close monitoring of surrenders and redemptions.

For Non-Par Fund, the business is managed on an annual cash flow basis ensuring sufficient cash flow of premium as the liability matching strategy and monitoring of the experience to ensure claims can be paid. ElderShield liabilities are currently not matched because the Group expects the fund to be cash-flow positive for at least 10 years.

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

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

The table below shows the gross liability including both guaranteed and non-guaranteed benefits (before reinsurance) as at 31 December 2011 based on estimated timing of net cash outflows. Almost all investment contracts may be surrendered. In this case, the earliest contractual maturity date is the balance sheet date. The liability will be the surrender value required if all investment contract policyholders surrender at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(c) Financial risk (continued)

(iii) Liquidity risk (continued)

As at 31 December 2011	Total $'000	Within 1 year $'000	1 - 5 years $'000	5 - 15 years $'000	Over 15 years $'000
Long Term business					
- Insurance contracts	**(24,837,575)**	**(2,560,253)**	**(6,261,731)**	**(4,593,743)**	**(11,421,848)**
- Investment contracts	**(243,421)**	**(45,278)**	**(131,658)**	**(66,485)**	**-**
Total	**(25,080,996)**	**(2,605,531)**	**(6,393,389)**	**(4,660,228)**	**(11,421,848)**

As at 31 December 2010	Total $'000	Within 1 year $'000	1 - 5 years $'000	5 - 15 years $'000	Over 15 years $'000
Long Term business					
- Insurance contracts	(23,631,261)	(2,854,915)	(5,467,629)	(4,685,544)	(10,623,173)
- Investment contracts	(243,654)	(118,743)	(81,953)	(42,958)	-
Total	(23,874,915)	(2,973,658)	(5,549,582)	(4,728,502)	(10,623,173)

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

As at 31 December 2011	Total $'000	Within 1 year $'000	1 - 5 years $'000	5 - 15 years $'000	Over 15 years $'000
Derivative financial instruments	**(100,324)**	**(85,273)**	**(5,978)**	**(8,919)**	**(154)**
Insurance and other payables	**(445,424)**	**(416,478)**	**(23,934)**	**(4,846)**	**(166)**

As at 31 December 2010	Total $'000	Within 1 year $'000	1 - 5 years $'000	5 - 15 years $'000	Over 15 years $'000
Derivative financial instruments	(65,223)	(60,492)	(3,817)	(914)	-
Insurance and other payables	(617,809)	(589,259)	(23,766)	(4,720)	(64)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(d) *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 on-going development. This is especially important given its co-operative status and limited avenues for raising capital.

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

The Co-operative is required to comply with the regulatory capital requirement prescribed in the Insurance (Valuation and Capital) Regulations 2004 under the Insurance Act. Under the Risk-based Capital Framework regulation set by Monetary Authority of Singapore, Insurance companies are required to satisfy a minimum capital adequacy ratio of 120%. The Co-operative has a capital adequacy ratio in excess of the minimum requirement.

Regulated capital of the Co-operative as at 31 December 2011 comprised Available Capital of $5.76 billion, Risk Capital of $2.68 billion and Capital Adequacy Ratio of 215%. The amounts as at 31 December 2010 were: Available Capital $6.22 billion, Risk Capital $2.66 billion and Capital Adequacy Ratio of 234%.

(e) *Fair value measurements*

The following table presents our assets and liabilities measured at fair value at 31 December 2011.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments designated at fair value through profit or loss				
- Equities	**4,775,988**	**-**	**-**	**4,775,988**
- Funds	**664,411**	**-**	**-**	**664,411**
- Debt securities	**16,403,722**	**114,680**	**75,236**	**16,593,638**
Available-for-sale investments				
- Equities	**143,575**	**-**	**18,044**	**161,619**
- Funds	**-**	**-**	**650,423**	**650,423**
Derivative financial instruments	**-**	**104,486**	**-**	**104,486**
Total assets	**21,987,696**	**219,166**	**743,703**	**22,950,565**
Liabilities				
Derivative financial instruments	**-**	**(96,812)**	**-**	**(96,812)**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISKS (CONTINUED)

(e) Fair value measurements (continued)

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

Valuation of private equity fund investments was based on net asset value reports as at 30 September 2011, adjusted for the net cash flows movement from 1 October 2011 till 31 December 2011. If a premium of 4.6% had been applied, the impact on the valuation would have been $29.9 million.

The following table presents the changes in Level 3 instruments for the year ended 31 December 2011.

	Available-for-sale investments			
	Debt investments $'000	Unquoted funds $'000	Unquoted equities $'000	Total $'000
Opening balance	71,644	534,442	36,527	642,613
Sales of level 3 securities	(2,543)	(68,716)	(5)	(71,264)
Transfers into level 3	-	-	-	-
Purchases of level 3 securities	-	138,467	5	138,472
Revaluation reserve	-	52,105	1,511	53,616
Gains and losses recognised in profit or loss	6,135	(5,875)	(19,994)	(19,734)
Closing balance	75,236	650,423	18,044	743,703
Total gains or losses for the period included in profit or loss for assets held at the end of the reporting period	6,135	(5,875)	(19,994)	(19,734)

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 2011

5. PROPERTY, PLANT AND EQUIPMENT

	2011				
	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Life Insurance Par Fund					
Cost					
At 1 January 2011	**3,283**	**14,721**	**16,201**	**495**	**34,700**
Additions	**245**	**4,755**	**1,746**	**363**	**7,109**
Disposals	**(43)**	**(2,283)**	**(551)**	**(59)**	**(2,936)**
At 31 December 2011	**3,485**	**17,193**	**17,396**	**799**	**38,873**
Accumulated depreciation					
At 1 January 2011	**2,812**	**10,268**	**13,381**	**345**	**26,806**
Charge for the year	**245**	**2,078**	**1,368**	**150**	**3,841**
Disposals	**(39)**	**(1,734)**	**(551)**	**(60)**	**(2,384)**
At 31 December 2011	**3,018**	**10,612**	**14,198**	**435**	**28,263**
Net book value					
At 31 December 2011	**467**	**6,581**	**3,198**	**364**	**10,610**

	2010				
	Office equipment $'000	Furniture and fittings $'000	Computer equipment $'000	Motor vehicles $'000	Total $'000
Life Insurance Par Fund					
Cost					
At 1 January 2010	6,403	18,254	26,060	504	51,221
Additions	164	2,973	876	-	4,013
Disposals	(3,284)	(6,506)	(10,735)	(9)	(20,534)
At 31 December 2010	3,283	14,721	16,201	495	34,700
Accumulated depreciation					
At 1 January 2010	5,093	12,312	19,883	264	37,552
Charge for the year	496	2,024	2,533	87	5,140
Disposals	(2,777)	(4,068)	(9,035)	(6)	(15,886)
At 31 December 2010	2,812	10,268	13,381	345	26,806
Net book value					
At 31 December 2010	471	4,453	2,820	150	7,894

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 2011

6. INTANGIBLE ASSETS

	2011 $'000	2010 $'000
Life Insurance Par Fund		
Cost		
At 1 January	**43,680**	33,087
Additions	**9,261**	12,100
Disposals	**-**	(1,507)
At 31 December	**52,941**	43,680
Accumulated amortisation		
At 1 January	**17,458**	12,277
Charge for the year	**7,031**	5,618
Disposals	**-**	(437)
At 31 December	**24,489**	17,458
Net book value at 31 December	**28,452**	26,222

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

7. INVESTMENT PROPERTIES

	2011 $'000	2010 $'000
Life Insurance Par Fund		
At 1 January	**1,055,786**	1,018,632
Additions	**589**	5,871
Disposals	**(204,296)**	-
Change in net fair value recognised in profit or loss	**88,876**	31,283
At 31 December	**940,955**	1,055,786

Investment properties are carried at fair values at the balance sheet date as determined by independent professional valuers. Valuations are made annually based on the properties' fair market values using the direct sale comparison and income approach.

All investment properties belong to the Life Insurance Par Fund. These properties are held for the purpose of capital appreciation and rental income. The following amounts are recognised in profit or loss.

	2011 $'000	2010 $'000
Rental income	**57,282**	58,378
Direct operating expenses arising from investment properties that generated rental income	**(18,614)**	(16,117)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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 2011 are as follows:

Name	Principal activities	Interest held by Co-operative 2011 %	Interest held by Co-operative 2010 %
Life Insurance Par Fund			
NTUC Co-operatives Suzhou Investments Pte Ltd	Investment holding	**73**	73
NTUC Income International Pte Ltd*	Investment holding	**-**	100
Shareholders' Fund			
NTUC Income Enterprises Pte Ltd (NIE)	Operator of retail and referral services	**100**	100
NTUC Income Asset Management Ltd**	Investment management	**100**	100
NTUC Income Car Co-operative Ltd***	Car sharing	**-**	100

As at 31 December 2011, investments in subsidiaries held through NTUC Income Enterprises Pte Ltd (NIE), a 100% owned subsidiary of the Co-operative are as follows:

Name	Principal activities	Interest held by NIE 2011 %	Interest held by NIE 2010 %
Big Trumpet Ltd	Create, establish and maintain electronic commerce club	**100**	100
I-Map Pte Ltd*	Electronic directories	**-**	100

* Struck-off during the year
** In the process of being struck off
*** Liquidated during the year

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

9. INVESTMENT IN JOINT VENTURE COMPANY

	Group	
	2011 $'000	2010 $'000
Life Insurance Par Fund		
Equity investment at cost	82,525	-
Carrying value		
Beginning of financial year	-	-
Investment during the financial year	82,525	-
Share of profits	14,226	-
End of financial year	96,751	-

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

	2011 $'000	2010 $'000
Assets		
- Current assets	11,389	-
- Non-current assets	459,932	-
Liabilities		
- Current liabilities	86,952	-
- Non-current liabilities	287,618	-
Net Assets	96,751	-
Revenue	9,330	-
Other income	15,416	-
Expenses	10,466	-
Income tax	54	-
Profit after tax	14,226	-

The investment in joint venture company is as follows:

Name of company	Country of incorporation	Principal activities	Interest held by Co-operative	
			2011 %	2010 %
Life Insurance Par Fund				
Street Square Pte Ltd[(a)]	Singapore	Property investment holding	50	-

(a) Financial year ends on 31 December

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

10. INVESTMENT IN ASSOCIATED COMPANIES

	Group	
	2011 $'000	2010 $'000
Life Insurance Par Fund		
Equity investment at cost	**148,685**	114,027
Carrying value		
Beginning of financial year	**301,665**	273,523
Investment during the financial year	**34,783**	-
Disposal	**(125)**	-
Share of profits	**18,457**	31,998
Share in other comprehensive gain / (loss)	**1,079**	(1,614)
Others	**-**	(2,242)
End of financial year	**355,859**	301,665
The summarised financial information of associated companies is as follows		
- Assets	**3,215,985**	2,600,327
- Liabilities	**1,719,480**	1,265,494
- Revenue	**427,232**	446,072
- Net profit	**129,903**	161,272

	Group	
	2011 $'000	2010 $'000
Shareholders' Fund		
Equity investment at cost	**9,963**	-
Carrying value		
Beginning of financial year	**-**	-
Investment during the financial year	**9,963**	-
Share of profits	**554**	-
End of financial year	**10,517**	-
The summarised financial information of associated companies is as follows		
- Assets	**629,805**	-
- Liabilities	**577,222**	-
- Revenue	**5,598**	-
- Net profit	**2,771**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

10. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

The investment in associated companies is as follows:

Name of company	Country of incorporation	Principal activities	Interest held by Co-operative 2011 %	Interest held by Co-operative 2010 %
Life Insurance Par Fund				
Falcon-Air Holdings Pte Ltd[(d)]	Singapore	Investment holding	**23**	23
NTUC Choice Homes Co-operative Ltd[(a)]	Singapore	Property development	**25**	25
One Marina Property Services Pte Ltd (formerly known as SLF Management Services Pte Ltd)[(a)]	Singapore	Provision of facility management, project management, marketing and leasing services	**20**	20
Asia Pacific Investment Company No. 2 Ltd[(b)]	Singapore	Properties investment	**22**	22
SG Domain Pte Ltd[(c)]	Singapore	Properties investment holding	**20**	20
Savu Investments Pte Ltd[(d)]	Singapore	Properties investment holding	**49**	-
Vicom Assessment Centre Pte Ltd*	Singapore	Provision of motor assessment services	**-**	25
Shareholders' Fund				
Mercatus Co-operative Limited[(a)]	Singapore	Properties investment holding	**20**	-

* Dissolved during the financial year
(a) Financial year ends on 31 March
(b) Financial year ends on 30 April
(c) Financial year ends on 31 August
(d) Financial year ends on 31 December

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

11. OTHER FINANCIAL ASSETS

	2011					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Investments designated at fair value through profit or loss						
Quoted						
Equities	**3,956,890**	**-**	**591,501**	**191,505**	**36,092**	**4,775,988**
Funds	**454,880**	**-**	**166,269**	**41,029**	**2,233**	**664,411**
Debt securities	**13,388,556**	**2,021,193**	**377,948**	**805,941**	**-**	**16,593,638**
Total investments designated at fair value through profit or loss	**17,800,326**	**2,021,193**	**1,135,718**	**1,038,475**	**38,325**	**22,034,037**
Available-for-sale investments						
Quoted						
Equities	**-**	**-**	**-**	**-**	**143,575**	**143,575**
Unquoted						
Equities	**17,725**	**-**	**-**	**-**	**319**	**18,044**
Funds	**650,423**	**-**	**-**	**-**	**-**	**650,423**
Total available-for-sale investments	**668,148**	**-**	**-**	**-**	**143,894**	**812,042**
Total investments	**18,468,474**	**2,021,193**	**1,135,718**	**1,038,475**	**182,219**	**22,846,079**
To be settled within 12 months	**2,143,418**	**-**	**69,729**	**350,308**	**-**	**2,563,455**
To be settled after 12 months	**16,325,056**	**2,021,193**	**1,065,989**	**688,167**	**182,219**	**20,282,624**
	18,468,474	**2,021,193**	**1,135,718**	**1,038,475**	**182,219**	**22,846,079**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

11. OTHER FINANCIAL ASSETS (CONTINUED)

	2010					
	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	4,808,368	-	697,265	244,126	328,179	6,077,938
Funds	633,407	-	188,704	40,002	49,363	911,476
Debt securities	11,896,998	1,693,492	398,349	792,386	1,241	14,782,466
Total investments designated at fair value through profit or loss	17,338,773	1,693,492	1,284,318	1,076,514	378,783	21,771,880
Available-for-sale investments						
Unquoted						
Equities	18,516	-	-	17,689	322	36,527
Funds	534,442	-	-	-	-	534,442
Total available-for-sale investments	552,958	-	-	17,689	322	570,969
Total investments	17,891,731	1,693,492	1,284,318	1,094,203	379,105	22,342,849
To be settled within 12 months	1,842,926	4,735	81,430	168,682	1,241	2,099,014
To be settled after 12 months	16,048,805	1,688,757	1,202,888	925,521	377,864	20,243,835
	17,891,731	1,693,492	1,284,318	1,094,203	379,105	22,342,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

11. OTHER FINANCIAL ASSETS (CONTINUED)

Of the total debt securities, 93% (2010: 98%) represents investments in fixed rate instruments.

The balance of the debt securities as at 31 December 2011 includes the purchase of bonds from the associated company and joint venture. These bonds are as follows:

a) 3 year term bonds issued by the associated company and repayable on 17 January 2014 with an interest rate of 3.83% per annum are recognised at fair value of $122.8 million as at 31 December 2011. The interest earned of $4.4 million is recognised in the statement of comprehensive income.

b) 3 year term bonds issued by the joint venture and repayable on 5 May 2014 with an interest rate of 3.02% per annum are recognised at fair value of $100.6 million as at 31 December 2011. The interest earned of $1.9 million is recognised in the statement of comprehensive income.

Life Insurance Par Fund
Loans of quoted equities to financial institutions
The Group was a participating lender in a Securities Lending Program administered by a financial institution acting as an agent. The agent collected cash and other securities from borrowers as collateral, and this collateral will be at an agreed percentage above the market value of the securities lent out. Marking to market of collateral was performed every business day by the agent and the borrowers were required to deliver additional collateral when necessary. Income earned from the investment of cash collateral and loan fees for loans collateralised by non-cash collateral were distributed to the participating lenders by the agent.

The fair value of the Group's share of the collateral in cash and other securities received by the agent as at 31 December 2011 was $24.1 million (2010: $46.8 million). These collaterals were in respect of equity investments designated as fair value through profit or loss, which were lent to financial institutions. The fair values of these equity investments were $21.6 million (2010: $43.8 million) at 31 December 2011.

Shareholders' Fund
Singapore government securities
In 2011, the requirement of the Monetary Authority of Singapore for statutory deposits to be held under the Insurance Act for the life and general insurance businesses has been removed. As at 31 December 2010, $1.2 million Singapore government securities included in debt securities of Shareholders' Fund, with nominal value of $1.2 million, was deposited with the Monetary Authority of Singapore as statutory deposits.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

12. LOANS

	2011					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Term loans to corporations						
- secured	**312,595**	**-**	**-**	**-**	**-**	**312,595**
- unsecured	**193,707**	**-**	**-**	**-**	**89,663**	**283,370**
Consumer loans	**64,423**	**-**	**-**	**570**	**-**	**64,993**
Loans on policies	**570,210**	**-**	**-**	**-**	**-**	**570,210**
Fair value adjustment	**(13,754)**	**-**	**-**	**-**	**-**	**(13,754)**
Impairment loss	**(807)**	**-**	**-**	**(402)**	**-**	**(1,209)**
	1,126,374	**-**	**-**	**168**	**89,663**	**1,216,205**
To be settled within 12 months	**113,402**	**-**	**-**	**76**	**-**	**113,478**
To be settled after 12 months	**1,012,972**	**-**	**-**	**92**	**89,663**	**1,102,727**
	1,126,374	**-**	**-**	**168**	**89,663**	**1,216,205**

	2010					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Term loans to corporations						
- secured	186,920	-	-	-	-	186,920
- unsecured	31,308	-	-	-	-	31,308
Consumer loans	91,996	-	-	784	-	92,780
Loans on policies	563,328	-	-	-	-	563,328
Fair value adjustment	(3,322)	-	-	-	-	(3,322)
Impairment loss	(1,298)	-	-	(627)	-	(1,925)
	868,932	-	-	157	-	869,089
To be settled within 12 months	14,658	-	-	65	-	14,723
To be settled after 12 months	854,274	-	-	92	-	854,366
	868,932	-	-	157	-	869,089

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

12. LOANS (CONTINUED)

The balance of term loans to corporations as at 31 December 2011 include loans granted to associated companies and joint venture company.

a) Interest bearing loans to associated companies

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

	2011				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	1,625	3.00	49	17 February 2015	Unsecured
Loan 2	113,875	5.00	718	16 November 2016	Secured
Loan 3	89,663	6.50	734	On demand	Unsecured

	2010				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	1,625	3.00	42	17 February 2015	Unsecured

b) Non-interest bearing loans to associated companies

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

	2011				
	Loan Amount at Inception $'000	Unamortised Fair Value Loss $'000	Carrying value $'000	Scheduled Repayment Date	Type
Loan 1	29,608	2,508	27,100	17 February 2015*	Unsecured
Loan 2	81,158	11,245	69,913	17 November 2016	Unsecured

	2010				
	Loan Amount at Inception $'000	Unamortised Fair Value Loss $'000	Carrying value $'000	Scheduled Repayment Date	Type
Loan 1	29,608	3,322	26,286	17 February 2015*	Unsecured

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

12. LOANS (CONTINUED)

c) Interest bearing loan to joint venture company

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

	2011				
	Loan Balance $'000	Interest Rate (%)	Interest Earned $'000	Scheduled Repayment Date	Type
Loan 1	81,251	7.00	3,911	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
2011						
At 1 January	**1,298**	**-**	**-**	**627**	**-**	**1,925**
Allowance written back during the year	**(491)**	**-**	**-**	**(225)**	**-**	**(716)**
At 31 December	**807**	**-**	**-**	**402**	**-**	**1,209**
2010						
At 1 January	2,398	-	-	28	-	2,426
Allowance made during the year	-	-	-	599	-	599
Allowance written back during the year	(1,100)	-	-	-	-	(1,100)
At 31 December	1,298	-	-	627	-	1,925

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2011			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	6,315,532	40,138	67,278	(27,140)
Interest rate swaps	108,672	4,752	1,218	3,534
Cross currency swaps	719,803	50,602	11,637	38,965
Swaptions	(29,434)	-	3	(3)
Bond forward	(5,294)	31	-	31
Bond futures	126,135	594	894	(300)
	7,235,414	96,117	81,030	15,087
Life Insurance Non-Par Fund				
Forward foreign exchange	285,270	643	5,396	(4,753)
Investment Linked Fund				
Forward foreign exchange	189,092	1,209	1,239	(30)
Interest rate swaps	34,375	1,735	396	1,339
Futures	488	-	7	(7)
	223,955	2,944	1,642	1,302
General Insurance Fund				
Forward foreign exchange	367,749	1,983	5,037	(3,054)
Shareholders' Fund				
Forward foreign exchange	383,934	2,799	3,707	(908)
Total	8,496,322	104,486	96,812	7,674

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

13. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

	2010			
	Contract or Underlying Principal $'000	Positive Revaluation $'000	Negative Revaluation $'000	Net $'000
Life Insurance Par Fund				
Forward foreign exchange	7,062,327	149,871	44,988	104,883
Interest rate swaps	119,795	2,836	128	2,708
Cross currency swaps	1,034,510	123,547	19,293	104,254
Swaptions	29,080	-	412	(412)
	8,245,712	276,254	64,821	211,433
Life Insurance Non-Par Fund				
Forward foreign exchange	141,149	1,261	-	1,261
Investment Linked Fund				
Forward foreign exchange	483,655	5,788	3,856	1,932
Interest rate swaps	43,285	1,058	48	1,010
Futures	1,944	23	-	23
	528,884	6,869	3,904	2,965
General Insurance Fund				
Cross currency swaps	112,288	1,379	-	1,379
Shareholders' Fund				
Forward foreign exchange	734,129	12,075	5,139	6,936
Total	9,762,162	297,838	73,864	223,974

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. INSURANCE CONTRACT PROVISIONS

	2011				
	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	-	83,654	-	495,143	578,797
Provision for unexpired risks	-	113,462	-	170,262	283,724
Provision for future non-participating benefits	2,017,946	987,384	-	-	3,005,330
Provision for future participating benefits					
- Guaranteed benefits	10,278,154	-	-	-	10,278,154
- Non-guaranteed benefits	9,517,272	-	-	-	9,517,272
Provision for investment linked contracts	-	-	1,174,298	-	1,174,298
Total insurance contract provisions, gross	**21,813,372**	**1,184,500**	**1,174,298**	**665,405**	**24,837,575**
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	33,829	33,829
Provision for unexpired risks	-	-	-	2,021	2,021
Total reinsurers' share of insurance contract provisions	**-**	**-**	**-**	**35,850**	**35,850**
Net					
Provision for claims and loss adjustment expenses	-	83,654	-	461,314	544,968
Provision for unexpired risks	-	113,462	-	168,241	281,703
Provision for future non-participating benefits	2,017,946	987,384	-	-	3,005,330
Provision for future benefits					
- Guaranteed benefits	10,278,154	-	-	-	10,278,154
- Non-guaranteed benefits	9,517,272	-	-	-	9,517,272
Provision for investment linked contracts	-	-	1,174,298	-	1,174,298
Total insurance contract provisions, net	**21,813,372**	**1,184,500**	**1,174,298**	**629,555**	**24,801,725**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. INSURANCE CONTRACT PROVISIONS (CONTINUED)

	2010				
	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	-	105,199	-	451,844	557,043
Provision for unexpired risks	-	100,277	-	162,420	262,697
Provision for future non-participating benefits	2,062,439	892,211	-	-	2,954,650
Provision for future participating benefits					
- Guaranteed benefits	8,788,281	-	-	-	8,788,281
- Non-guaranteed benefits	9,761,445	-	-	-	9,761,445
Provision for investment linked contracts	-	-	1,307,145	-	1,307,145
Total insurance contract provisions, gross	20,612,165	1,097,687	1,307,145	614,264	23,631,261
Reinsurance					
Provision for claims and loss adjustment expenses	-	-	-	30,744	30,744
Provision for unexpired risks	-	-	-	2,744	2,744
Total reinsurers' share of insurance contract provisions	-	-	-	33,488	33,488
Net					
Provision for claims and loss adjustment expenses	-	105,199	-	421,100	526,299
Provision for unexpired risks	-	100,277	-	159,676	259,953
Provision for future non-participating benefits	2,062,439	892,211	-	-	2,954,650
Provision for future benefits					
- Guaranteed benefits	8,788,281	-	-	-	8,788,281
- Non-guaranteed benefits	9,761,445	-	-	-	9,761,445
Provision for investment linked contracts	-	-	1,307,145	-	1,307,145
Total insurance contract provisions, net	20,612,165	1,097,687	1,307,145	580,776	23,597,773

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. INSURANCE CONTRACT PROVISIONS (CONTINUED)

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

	2011 Gross $'000	2011 Reinsurance $'000	2011 Net $'000	2010 Gross $'000	2010 Reinsurance $'000	2010 Net $'000
At 1 January	**20,612,165**	**-**	**20,612,165**	17,996,919	-	17,996,919
Increase in insurance contract provisions	**819,746**	**-**	**819,746**	2,321,658	-	2,321,658
Transfer of premiums and recovery of allocated expenses	**-**	**-**	**-**	485	-	485
Share in results of joint venture company and associated companies	**33,738**	**-**	**33,738**	30,333	-	30,333
Change in liabilities for insurance contracts arising from unrealised available-for-sale net gain	**55,356**	**-**	**55,356**	1,294	-	1,294
Bonus to policyholders	**292,367**	**-**	**292,367**	261,476	-	261,476
At 31 December	**21,813,372**	**-**	**21,813,372**	20,612,165	-	20,612,165

Life Insurance Non-Par Fund

(a) Provision for unexpired risks

	2011 Gross $'000	2011 Reinsurance $'000	2011 Net $'000	2010 Gross $'000	2010 Reinsurance $'000	2010 Net $'000
At 1 January	**100,277**	**-**	**100,277**	89,869	-	89,869
Movements for the year	**13,185**	**-**	**13,185**	10,408	-	10,408
At 31 December	**113,462**	**-**	**113,462**	100,277	-	100,277

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions (continued)

Life Insurance Non-Par Fund (continued)

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

	2011			2010		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**997,410**	**-**	**997,410**	892,726	-	892,726
Increase in insurance contract provisions	**73,628**	**-**	**73,628**	104,684	-	104,684
At 31 December	**1,071,038**	**-**	**1,071,038**	997,410	-	997,410
At 31 December (a) + (b)	**1,184,500**	**-**	**1,184,500**	1,097,687	-	1,097,687

Investment Linked Fund

Provision for investment linked contracts

	2011			2010		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**1,307,145**	**-**	**1,307,145**	1,266,590	-	1,266,590
(Decrease) / increase in insurance contract provisions	**(132,847)**	**-**	**(132,847)**	40,555	-	40,555
At 31 December	**1,174,298**	**-**	**1,174,298**	1,307,145	-	1,307,145

General Insurance Fund

(a) Provision for claims and loss adjustment expenses

	2011			2010		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	**451,844**	**(30,744)**	**421,100**	412,300	(30,265)	382,035
Increase / (decrease) in insurance contract provisions	**43,299**	**(3,085)**	**40,214**	39,544	(479)	39,065
At 31 December	**495,143**	**(33,829)**	**461,314**	451,844	(30,744)	421,100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

14. INSURANCE CONTRACT PROVISIONS (CONTINUED)

Movements in insurance contract provisions (continued)

General Insurance Fund (continued)

(b) Provision for unexpired risks

	2011			2010		
	Gross $'000	Reinsurance $'000	Net $'000	Gross $'000	Reinsurance $'000	Net $'000
At 1 January	162,420	(2,744)	159,676	164,328	(8,106)	156,222
Movements for the year	7,842	723	8,565	(1,908)	5,362	3,454
At 31 December	170,262	(2,021)	168,241	162,420	(2,744)	159,676
At 31 December (a) + (b)	665,405	(35,850)	629,555	614,264	(33,488)	580,776

15. INSURANCE AND OTHER RECEIVABLES

	2011					
	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	35,360	30,676	-	16,542	-	82,578
Accrued interest receivable	4,601	-	2	-	32	4,635
Investment receivables	115,326	-	7,139	253	306	123,024
Trade receivables	8	2,186	-	5,291	514	7,999
Other receivables	13,889	314	61	83	164	14,511
Interfund balances	16,039	-	2,467	6	22,049	40,561
	185,223	33,176	9,669	22,175	23,065	273,308
Less: Allowance for impairment losses	(399)	(134)	-	(664)	-	(1,197)
	184,824	33,042	9,669	21,511	23,065	272,111

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

15. INSURANCE AND OTHER RECEIVABLES (CONTINUED)

	2010					
	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	32,280	28,255	-	14,395	-	74,930
Accrued interest receivable	880	-	-	-	-	880
Investment receivables	47,779	-	27,948	255	306	76,288
Trade receivables	12	2,861	-	2,336	291	5,500
Other receivables	7,718	-	1,130	231	1,308	10,387
Interfund balances	12,354	22	2,613	9	23,753	38,751
	101,023	31,138	31,691	17,226	25,658	206,736
Less: Allowance for impairment losses	(411)	(410)	-	(4,402)	-	(5,223)
	100,612	30,728	31,691	12,824	25,658	201,513

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

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

	2011					
	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	**411**	**410**	**-**	**4,402**	**-**	**5,223**
Allowance written back / utilised during the year	**(12)**	**(276)**	**-**	**(3,738)**	**-**	**(4,026)**
At 31 December	**399**	**134**	**-**	**664**	**-**	**1,197**

	2010					
	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	66	446	-	6,620	-	7,132
Allowance made during the year	345	-	-	-	-	345
Allowance written back during the year	-	(36)	-	(2,218)	-	(2,254)
At 31 December	411	410	-	4,402	-	5,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

16. CASH AND CASH EQUIVALENTS

	2011					
	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	**740,000**	**38,000**	**13,293**	**27,567**	**110,000**	**928,860**
Cash and bank balances	**522,583**	**49,561**	**26,818**	**91,254**	**26,670**	**716,886**
	1,262,583	**87,561**	**40,111**	**118,821**	**136,670**	**1,645,746**

	2010					
	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	701,102	35,500	3,000	7,093	-	746,695
Cash and bank balances	317,878	51,821	35,424	58,536	10,232	473,891
	1,018,980	87,321	38,424	65,629	10,232	1,220,586

Included in fixed deposits with banks in Life Insurance Par Fund is $171 million (2010: $141 million) of Singapore currency deposits which are segregated assets of the surplus account maintained in accordance with Insurance (Valuation and Capital) Regulations 2004.

17. INSURANCE AND OTHER PAYABLES

	2011					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	**22,987**	**34,297**	**-**	**2,179**	**-**	**59,463**
Insurance and reinsurance payables	**45,915**	**2,966**	**396**	**6,985**	**-**	**56,262**
Investments and other payables	**149,034**	**4,869**	**10,841**	**10,054**	**114,340**	**289,138**
Contribution to Singapore Labour Foundation	**-**	**-**	**-**	**-**	**-**	**-**
Contribution to Central Co-operative Fund	**-**	**-**	**-**	**-**	**-**	**-**
Interfund balances	**9,554**	**22,652**	**-**	**8,355**	**-**	**40,561**
	227,490	**64,784**	**11,237**	**27,573**	**114,340**	**445,424**
To be settled within 12 months	**209,192**	**54,136**	**11,237**	**27,573**	**114,340**	**416,478**
To be settled after 12 months	**18,298**	**10,648**	**-**	**-**	**-**	**28,946**
	227,490	**64,784**	**11,237**	**27,573**	**114,340**	**445,424**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

17. INSURANCE AND OTHER PAYABLES (CONTINUED)

	2010					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Outstanding claims	22,333	28,633	-	1,486	-	52,452
Insurance and reinsurance payables	37,327	3,316	262	4,308	-	45,213
Investments and other payables	392,660	4,638	47,634	18,654	3,205	466,791
Contribution to Singapore Labour Foundation	-	-	-	-	14,577	14,577
Contribution to Central Co-operative Fund	-	-	-	-	25	25
Interfund balances	3,063	12,455	-	23,233	-	38,751
	455,383	49,042	47,896	47,681	17,807	617,809
To be settled within 12 months	436,192	39,683	47,896	47,681	17,807	589,259
To be settled after 12 months	19,191	9,359	-	-	-	28,550
	455,383	49,042	47,896	47,681	17,807	617,809

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

18. SHARE CAPITAL

	2011 $'000	2010 $'000
Shareholders' Fund		
Authorised:		
100,000,000 participating shares of $10 each	**1,000,000**	1,000,000
Issued and fully paid participating shares:		
At 1 January	**438,713**	438,613
Issue of shares	**1,416**	1,998
Redemption of shares	**(1,008)**	(1,898)
At 31 December	**439,121**	438,713

Issue of shares	2011 Number of shares	2010 Number of shares	2011 $'000	2010 $'000
Shares issued to employees for long service award	**26,720**	7,940	**267**	79
Shares issued for cash in respect of new subscriptions	**114,874**	191,845	**1,149**	1,919
	141,594	199,785	**1,416**	1,998

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

18. SHARE CAPITAL (CONTINUED)

The newly issued shares rank pari passu in respect of distribution of dividends and bonus shares with the existing shares. There is no par value for these ordinary shares.

NTUC Income Insurance Co-operative Limited Members and their rights

Members of the Co-operative consist of:

(i) The Singapore National Trades Union Congress which is designated the Founder Member;

(ii) Trade Unions and Registered Societies as may be accepted by the Board of Directors, and the Singapore Labour Foundation, which are designated Institutional Members;

(iii) Any person over the age of 18 years who has an assurance or insurance on his/her life with the Co-operative, and who at the time of proposal was a resident in Singapore, is designated an Ordinary Member;

(iv) Any person over the age of 18 years, who holds a minimum of ten participating shares in the Co-operative and who at the time of purchase was a resident in Singapore, is designated a Participating Member.

Any Member of the Co-operative may vote at any General Meeting of the Co-operative. Ordinary and Participating members having one vote each, and Institutional Members and the Founder Member, having one vote for each share they hold.

Any Institutional, Ordinary or Participating Member may withdraw his/her shares, subject to a notice period of one year, or such other limitations as the Board of Directors may decide in accordance with the Rules and By-Laws. The member withdrawing shall be entitled on the expiry of his notice to receive as the value of his shares, not more than what he/she paid for them, nor more than their value, as disclosed by the last Balance Sheet prepared by the Co-operative or the last actuarial valuation of the Co-operative, whichever is lower.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

19. RESERVES FOR FUTURE DISTRIBUTION

The Group has designated an amount of $653,712,000 (2010: $489,401,000) 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.

20. FEE AND OTHER INCOME

	2011					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Reinsurance commission	**3,083**	**759**	**-**	**1,783**	**-**	**5,625**
Management and other fees	**14,185**	**-**	**-**	**-**	**116**	**14,301**
	17,268	**759**	**-**	**1,783**	**116**	**19,926**

	2010					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Reinsurance commission	7,501	819	-	2,290	-	10,610
Management and other fees	14,153	-	-	-	2,068	16,221
	21,654	819	-	2,290	2,068	26,831

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

	2011					
	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	848	454	21	20	36	1,379
- loans	45,257	-	-	66	32	45,355
	46,105	454	21	86	68	46,734
Dividend income	205,504	-	17,835	6,710	8,162	238,211
Net rental income:						
- rental income	57,282	-	-	-	-	57,282
Less: Investment properties maintenance	(18,614)	-	-	-	-	(18,614)
	38,668	-	-	-	-	38,668
Realised gain/(loss) on sale of AFS investments	6,897	-	-	-	5	6,902
Realised gain on sale of investment properties	22,476	-	-	-	-	22,476
(Loss)/gain on changes in fair value of:						
- investments designated as fair value through profit/loss	(447,112)	201,367	(92,334)	(40,127)	(42,755)	(420,961)
- derivatives	(96,445)	(3,373)	(1,308)	1,960	(1,213)	(100,379)
- investment properties	88,876	-	-	-	-	88,876
	(454,681)	197,994	(93,642)	(38,167)	(43,968)	(432,464)
Less: Investment expenses	(45,817)	(1,114)	(14,036)	(2,435)	(2,376)	(65,778)
Allowance for impairment written back/(made) on:						
- loans	491	-	-	225	-	716
- available-for-sale investments	(12,771)	-	-	(20,000)	-	(32,771)
	(12,280)	-	-	(19,775)	-	(32,055)
Loans written off	(408)	-	-	(125)	-	(533)
Others	789	147	2	1,549	222	2,709
Net investment income/(losses) and fair value gains/(losses)	(192,747)	197,481	(89,820)	(52,157)	(37,887)	(175,130)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

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

	2010					
	Life Insurance Par Fund $'000	Life Insurance Non-Par Fund $'000	Investment Linked Fund $'000	General Insurance Fund $'000	Share holders' Fund $'000	Total $'000
Interest income						
- cash and cash equivalents	1,066	22	17	24	6	1,135
- loans	38,590	-	-	93	1	38,684
	39,656	22	17	117	7	39,819
Dividend income	146,719	7,379	20,412	473	9,524	184,507
Net rental income:						
- rental income	58,378	-	-	-	-	58,378
Less: Investment properties maintenance	(16,117)	-	-	-	-	(16,117)
	42,261	-	-	-	-	42,261
Realised gain/(loss) on sale of AFS investments	18,564	-	-	(222)	-	18,342
Gain on changes in fair value of:						
- investments designated as fair value through profit/loss	607,624	35,016	59,022	58,845	30,847	791,354
- derivatives	269,778	6,795	15,215	1,427	9,676	302,891
- investment properties	31,283	-	-	-	-	31,283
	908,685	41,811	74,237	60,272	40,523	1,125,528
Less: Investment expenses	(41,458)	(1,246)	(16,483)	(1,796)	(2,634)	(63,617)
Allowance for impairment written back/(made) on:						
- loans	1,100	-	-	(599)	-	501
- available-for-sale investments	15,971	-	-	-	-	15,971
	17,071	-	-	(599)	-	16,472
Loans written off	(594)	-	-	(190)	(57)	(841)
Others	835	58	125	2,855	96	3,969
Net investment income/(losses) and fair value gains/(losses)	1,131,739	48,024	78,308	60,910	47,459	1,366,440

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

22. MANAGEMENT EXPENSES

The following items are included in management expenses:

	The Group	
	2011 $'000	**2010 $'000**
Staff costs		
- Salaries, commission, bonuses and staff benefits	**86,608**	73,915
- Employer's contribution to defined contribution plan	**8,960**	7,956
Advertising and promotion	**4,610**	7,064
Depreciation and amortisation	**9,662**	9,425
Printing, postage and stationery	**5,621**	5,214
Rental	**6,502**	6,157

23. RELATED PARTY TRANSACTIONS

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

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

(a) Sales and purchases of goods & services

	The Group	
	2011 $'000	**2010 $'000**
Fees paid to an associate		
- in relation to management of investment properties	**3,244**	2,074

(b) Key management personnel compensation

	The Group	
	2011 $'000	**2010 $'000**
Salaries and other benefits	**7,433**	6,941
Employer's contribution to defined contribution plan	**99**	95
Directors fees	**320**	291
	7,852	7,327

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

24. DIVIDENDS

	2011 $'000	2010 $'000
Ordinary dividends paid		
Final exempt dividend paid in respect of the previous financial year of 60 cents (2010: 60 cents) per share	**25,466**	25,621
Special dividends paid		
Special dividend paid in respect of the previous financial year of 20 cents (2010: 30 cents) per share	**8,488**	12,811

The Directors have proposed a dividend of 60 cents per share (2010: 60 cents per share) and a special dividend of nil cents per share (2010: 20 cents) amounting to $26,300,000 (2010: $35,100,000) to be paid in respect of the financial year ended 31 December 2011. The financial statements will reflect this dividend payable in the Shareholders' Fund as an appropriation of surplus in the year ending 31 December 2012 after approval is obtained during the Annual General Meeting.

25. 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.

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

The net accumulated surplus of the shareholders' fund and other insurance funds of the Group of $686,748,000 (2010: $706,695,000) [comprising accumulated surplus of $754,105,000 (2010: $727,075,000) in other insurance funds and the accumulated deficit of $67,357,000 (2010: less accumulated deficit of $20,380,000) in the shareholders' fund] represents the amount available for distribution to the members of the Group except for accumulated surplus of $362,693,000 (2010: $361,227,000), which is not distributable and must be maintained to meet regulatory capital requirement prescribed in the Valuation and Capital Regulations 2004 under MAS Insurance Act as determined by the Appointed Actuary, and to meet other statutory requirements._

27. COMMITMENTS

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

(a) Capital commitments

	The Group	
	2011 $'000	2010 $'000
Life Insurance Par Fund		
Outstanding investment commitments	**345,685**	361,103

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

27. COMMITMENTS (CONTINUED)

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

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

	The Group	
	2011 $'000	**2010 $'000**
Not later than one year	**30,217**	28,847
Between one and five years	**24,108**	17,955

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

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

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

	The Group	
	2011 $'000	**2010 $'000**
Not later than one year	**3,668**	1,555
Between one and five years	**14,696**	431

28. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

- Amendments to FRS 107 Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)

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

29. AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors at a meeting held on 23 March 2012 and authorised for release on 23 March 2012.

SHAREHOLDING AS AT 31 DECEMBER 2011

FOUNDER MEMBER	Number of Shares
National Trades Union Congress	7,011,344 (16%)

INSTITUTIONAL MEMBERS	Number of Shares
NTUC Income Insurance Co-operative Ltd	1,415,952
Singapore Labour Foundation	798,560
Singapore Manual & Mercantile Workers' Union	535,467
Singapore Maritime Officers' Union	470,386
National Transport Workers' Union	406,984
United Workers of Electronic & Electrical Industries	385,719
Amalgamated Union of Public Employees	321,601
Singapore Bank Employees' Union	273,301
Shipbuilding & Marine Engineering Employees' Union	204,808
Singapore Mercantile Co-operative Society Ltd	198,350
Singapore Airlines Staff Union	195,470
NTUC Fairprice Co-operative Ltd	183,267
Healthcare Services Employees' Union	161,805
Metal Industries Workers' Union	149,010
Singapore Industrial & Services Employees' Union	129,397
Union of Telecoms Employees of Singapore	129,237
Singapore Credit Co-operative League Ltd	127,830
NTUC First Campus Co-operative Ltd	120,019
Singapore Teachers' Co-operative Society Ltd	118,058
United Workers of Petroleum Industry	113,558
Singapore Insurance Employees' Union	112,865
ExxonMobil Employees Co-operative Ltd	103,250
Singapore Shell Employees' Union	101,962
HDB Staff Union	100,000
Singapore Organisation of Seamen	90,341
Singapore Shell Employees Union Co-operative Ltd	83,463
Food, Drinks & Allied Workers' Union	80,269
Union of Power & Gas Employees	78,029
ExxonMobil Singapore Employees' Union	76,711
Amalgamated Union of Statutory Board Employees	67,386

INSTITUTIONAL MEMBERS	Number of Shares
Singapore Port Workers Union	66,517
NatSteel Employees' Union	63,104
Chemical Industries Employees' Union	60,133
Singapore Teachers' Union	57,115
Singapore National Co-operative Federation Ltd	57,075
Singapore Airport Terminal Services Workers' Union	55,857
Singapore Government Staff Credit Co-operative Society Ltd	55,392
Inland Revenue Authority of Singapore Staff Union	48,580
Singapore Bank Officers' Association	46,640
Straits Times Co-operative Ltd	45,790
Customs Credit Co-operative Society Ltd	45,599
PUB Employees' Union	41,588
Keppel FELS Employees' Union	39,095
Building Construction & Timber Industry Employees' Union	35,906
Temasek Polytechnic Co-operative Society Ltd	35,880
Singapore Public Works Employees' Credit Co-operative Society Ltd	35,625
Citiport Credit Co-operative Ltd	35,580
Union of ITE Training Staff	34,959
Singapore Urban Redevelopment Authority Workers' Union	33,748
Singapore Press Holdings Employees' Union	33,450
DBS Staff Union	30,222
Singapore Union of Broadcasting Employees	29,629
Singapore Police Co-operative Society Ltd	29,613
Staff Union of NTUC-ARU	26,711
Air-Transport Executive Staff Union	25,761
NTUC Media Co-operative Ltd	25,412
Changi International Airport Services Employees' Union	23,968
Telecoms Credit Co-operative Ltd	22,439
AUPE Multi-Purpose Co-operative Society Ltd	21,292
NTUC Unity Healthcare Co-operative Ltd	20,288
Singapore Prison Multi-Purpose Co-operative Society Ltd	20,100
Ceylon Tamils Multi-Purpose Co-operative Ltd	16,719
Sembawang Shipyard Employees' Union	16,407
Ngee Ann Polytechnic Academic Staff Union	15,325

SHAREHOLDING AS AT 31 DECEMBER 2011

INSTITUTIONAL MEMBERS	Number of Shares
Premier Security Co-operative Ltd	14,200
Singapore Statutory Boards Employees' Co-operative T & L Society Ltd	13,323
UTES Multi-Purpose Co-operative Society Ltd	13,304
TRC Multi-Purpose Co-operative Society Ltd	12,919
Ngee Ann Poly Consumer Co-operative Society	12,810
Singapore Stevedores' Union	9,073
Singapore Refining Companies Employees' Union	8,255
Keppel Employees' Union	6,154
Industrial & Services Co-operative Society Ltd	6,095
Singapore Polytechnic Co-operative Ltd	5,818
Union of Security Employees	4,763
NUS Multi-Purpose Co-operative Society Ltd	4,420
Singapore Interpreters' & Translators' Union	4,218
Education Services Union	3,729
Times Publishing Group Employees' Union	3,427
Port Officers' Union	3,312
Jurong Shipyard Multi-Purpose Co-operative Society Ltd	3,306
Singapore Technologies Electronics Employees' Union	2,973
Singapore Tamil Teachers' Union	2,756
Attractions, Resorts & Entertainment Union	2,382
SIA Engineering Company Engineers & Executives Union	2,300
Singapore Bank Employees Co-operative T & L Society Ltd	2,130
Amalgamated Union of Public Daily-Rated Workers	2,077
Singapore National Union of Journalists	1,856
Spring Singapore Staff Union	417
Singapore Government Shorthand Writers' Association	309
Singapore Malay Teachers' Union	141
Singapore Chinese Teachers' Union	21
Reuters Local Employees Union	10
Total for Institutional Members	8,731,072 (20%)

ORDINARY MEMBERS	28,169,711 (64%)

TOTAL	43,912,127 (100%)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY given that the Forty-Second Annual General Meeting of NTUC INCOME INSURANCE CO-OPERATIVE LIMITED will be held on Wednesday, 23 May 2012, at 6.00 pm at the Auditorium, 7th Floor, NTUC Centre, One Marina Boulevard, Singapore 018989.

AGENDA

1 To confirm the minutes of the 41st Annual General Meeting held on 24 May 2011.

2 To receive and adopt the Directors' Report and the Audited Accounts for the year ended 31 December 2011.

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

4 To elect members of the Board of Directors.

5 To approve a resolution for the declaration of a dividend to shareholders for the financial year ended 31 December 2011.

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

7 To approve the maximum borrowing limit of the Co-operative at $600 million under By-Law 17.

8 To re-appoint Messrs PricewaterhouseCoopers as external auditors of the Co-operative for the financial year ending 31 December 2012.

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

BY ORDER OF THE BOARD OF DIRECTORS

Thanalakshmi d/o M R Balakrishnan
Secretary

Singapore
23 April 2012

MICA (P)157/04/2012

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