

MORE TO



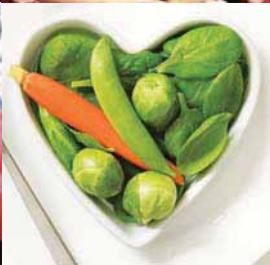
GREAT EASTERN HOLDINGS LIMITED ANNUAL REPORT 2012



LIVE GREAT

Bringing “**More to Life**” is the essence of what we continually strive to do. At Great Eastern, we aspire to deliver greater value to lives and impact our community in vibrant and meaningful ways.

As a LIFE company, we believe in engaging, enhancing and emboldening the lives of the people that matter most to us – our customers, distribution representatives, employees, partners and other stakeholders – so that they may Live Great and in turn enrich the lives of others.



OUR MISSION

To make life great by providing financial security, and promoting good health and meaningful relationships.

OUR VISION

To be the leading financial service provider in Asia, recognised for our excellence.

OUR CORE VALUES

Integrity
Initiative
Involvement

ETHOS

Great Eastern is always acting in the best interests of our customers with Fair Dealing as the basis of our business.

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KEY FIGURES

Performance highlights FY2012

Gross premiums

S\$6,615
million

Profit attributable to shareholders

S\$1,189
million

Total assets

S\$59,701
million

Shareholders' fund

S\$4,797
million

Economic value of one year's new business

S\$353
million

Embedded value

S\$8,605
million

Market capitalisation

S\$7,412¹
million

Distribution per share

64²
cents

⁽¹⁾ This is calculated using Shares Outstanding of 473,319,069 shares and last traded price in FY2012 of S\$15.66 (31 December 2012).

⁽²⁾ This includes the interim tax exempt (one-tier) dividend of 10 cents per ordinary share and a final tax exempt (one-tier) dividend of 27 cents per ordinary share and a special tax exempt (one-tier) dividend of 27 cents per ordinary share.



**ONLY A LIFE LIVED
FOR OTHERS
IS A LIFE
WORTHWHILE.**

— ALBERT EINSTEIN —

ONLY A LIFE LIVED
FOR OTHERS
IS **LIVE**
HEALTHIER
WORTHWHILE.

— ALBERT EINSTEIN —

Health is the greatest wealth. The first step to a healthier life begins with the right attitude. We strive to empower our customers to achieve their wellness aspirations so that they can get more out of life.



ONLY A LIFE LIVED
FOR OTHERS
IS **LIVE
BETTER**
WORTHWHILE.

— ALBERT EINSTEIN —

To live better is to live without worry. Beyond creating solutions that provide our customers with financial security and peace of mind, we are also committed to developing initiatives that add value to our customers and enable them to lead more rewarding lives.



ONLY A LIFE LIVED
FOR OTHERS
IS **LIVE
LONGER**
WORTHWHILE.

— ALBERT EINSTEIN —

Life is worth living because there are many moments worth living for. Whether you are celebrating your 60th, a golden anniversary or the birth of your great-grandson, we have made it our purpose to help you in your Live Great journey. It's not just about living longer but living longer...well.



CHAIRMAN'S STATEMENT

“More to Life” aptly describes our corporate philosophy in doing whatever we can to add value to the lives of our customers and to be of service to the community.



FANG AI LIAN
Chairman

The Group reported full-year 2012 net profit attributable to shareholders of S\$1,189.1 million compared with S\$385.7 million in 2011.

I am pleased to report that in 2012, the Group enjoyed continued success with record results. This was driven by strong growth in underwriting profit, unrealised mark-to-market investment gains and net investment income. The disposal of the Group's shareholdings in Asia Pacific Breweries Limited (APB) and Fraser and Neave, Limited (F&N) also contributed significantly to our good performance.

Amid tough competition, we continued our growth momentum from the previous year and maintained our position as the leading insurer in Singapore and Malaysia. In Singapore, for a record 12th year, we occupied the pole position in bancassurance.

In 2012, we refreshed our brand ambition to be a LIFE company and reaffirmed our commitment to our customers to put them at the centre of everything we do.

Our compelling brand, deliberate strategy focusing on regular premium and protection-based products, strong business fundamentals and the excellent support from our employees and partners continued to drive our business. Rooted firmly in our core values of Integrity, Initiative and Involvement, we broke new

ground on many fronts and delivered sustainable value to all our stakeholders.

“More to Life”, the theme for this year's annual report, aptly describes our corporate philosophy in doing whatever we can to add value to the lives of our customers and to be of service to the community.

At Great Eastern, we believe that life insurance alone can never be enough and launched our game-changing Live Great Programme to help customers live healthier, better and longer. Our Live Great value proposition has gained good traction and will give us the much-needed competitive edge to propel us to the next level.

Across the Group, we aligned our people, enhanced our processes, systems and culture to serve our mission afresh.

In line with our laser focus on customer-centricity, we introduced innovative products and expanded our product suite to meet our customers' evolving needs. We continued to invest significantly in our people and infrastructure as we strove to deliver consistent excellent service and a differentiated experience for our customers.

Being an integral member of the OCBC Group, we were able to tap on the extensive network and capabilities. In the various markets, we leveraged on these synergies to further deepen our penetration and reach out to key customer segments, including High Net Worth customers.

Our continued commitment to robust risk management and our sound financial position helped us maintain a strong credit rating of 'AA-' by Standard & Poor's with a stable outlook for the third consecutive year since 2010. This is one of the highest ratings for a life insurer in Asia-Pacific.

FINANCIAL PERFORMANCE

The Group reported full-year 2012 net profit attributable to shareholders of S\$1,189.1 million compared with S\$385.7 million in 2011. Excluding gains from the sale of the Group's shareholdings in APB and F&N, net profit in 2012 doubled to a record high of S\$767.5 million. The rise in net profit was underpinned by robust underwriting profit growth, along with better investment performance as financial markets improved.

As reported in our financial statements, the sale of APB and F&N shares during

the year helped the Group realise a significant pre-tax gain which has been accrued to the Shareholders' Fund and the life assurance funds. It should be noted that for the life assurance funds, as the assets are valued on an ongoing mark-to-market basis, a large part of the gain has already been recognised and taken into account when determining the amount of bonus to policyholders in past periods.

In 2012, total weighted new sales for the Group rose 5% to S\$836.7 million compared with S\$798.3 million in 2011. Overall sales performance in the year was the result of increased demand for regular premium products, partially offset by the deliberate reduction in the sale of single premium products.

New Business Embedded Value (NBEV), a measure of the Group's long-term economic profitability, was S\$352.7 million in 2012 against S\$364.8 million the previous year. The Group's NBEV was impacted by a shift in channel and product mix to meet with more intensive competitive pressures, as well as reduced investment return assumptions in view of a prolonged low interest rate environment.

The Group's total assets increased from S\$55.6 billion as at 31 December 2011 to S\$59.7 billion as at 31 December 2012.

The Group continued to be well-capitalised. Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remain above the minimum regulatory ratios of 120% and 130% in Singapore and Malaysia respectively, reflecting the strong capital position of the Group.

DIVIDENDS

In light of the strong performance, the Directors have recommended, for Shareholders' approval at the Annual

General Meeting, the payment of a final tax exempt (one-tier) dividend of 27 cents plus a special tax exempt (one-tier) dividend of 27 cents per ordinary share. Upon approval, the final and special dividends will be payable on 9 May 2013. Including the interim tax exempt (one-tier) dividend of 10 cents paid in September 2012, this brings the total dividends for the financial year 2012 to 64 cents per ordinary share. This compares with the total dividends of 37 cents per ordinary share for the financial year 2011.

REGULATORY DEVELOPMENTS

Regulations within the regional markets that we operate in continued to tighten. We welcome these measures as in the long term they strengthen our industry and serve to build greater trust among our customers, which can only augur well for our business.

In Singapore, the Monetary Authority of Singapore (MAS) set up the Financial Advisory Industry Review (FAIR) in April 2012 with the objective of raising the standard of financial advisory representatives and promoting a culture of fair dealing. The FAIR panel released its recommendations in January 2013.

Great Eastern is fully supportive of FAIR and we welcome measures which enhance professionalism, improve transparency and fair dealing. We will continue to make insurance more inclusive to better serve public interest. We will work with MAS and the Life Insurance Association of Singapore on the practical execution and effective implementation of these recommendations.

In Singapore and Malaysia, we will be investing significant resources to ensure compliance with applicable personal data protection legislations.

GIVING BACK TO THE COMMUNITY

Great Eastern has a rich history of corporate social responsibility and is committed to making a positive impact on the communities that we operate in.

During the year, across the Group, our staff gave their time and talents to support many worthy causes. These included activities which benefited underprivileged children and elderly under our ChildrenCare and GoldenCare programmes.

In line with Live Great, the focus of our community programmes in 2012 centred on promoting a healthy and active lifestyle. In Malaysia, our Yoga for Life event attracted 2,220 enthusiasts and is registered in the Malaysia Book of Records as the Yoga event with the largest number of participants in a single session. In Singapore, our Great Eastern Women's Run attracted 15,000 participants, the largest since the inception of the event in 2006.

We continued to support education for needy students through scholarships and bursaries.

ACCOLADES

Across the Group, we garnered accolades and recognition during the year.

Our brand ranking improved two positions to seventh out of 100 top Singapore brands. Brand Finance, the world's leading independent intangible asset and brand valuation consultancy, valued the Great Eastern brand at US\$1.41 billion, a growth of 22%, compared with the previous year.

In Malaysia, we won the Reader's Digest Trusted Brand Gold Award for the ninth consecutive year, a record in the insurance

category. Our Singapore business also received similar recognition.

We were also accorded the Private Health Insurance Provider of the Year Award at the 2012 Frost & Sullivan Malaysia Excellence Awards, while Great Eastern Takaful Sdn Bhd captured the Best New Islamic Institution Award at Islamic Business & Finance Awards in Dubai.

The Group's 2011 Annual Report won the Gold Award in the Overall Annual Report for the Insurance (Life and Health) Category at the 26th International ARC Awards held in New York.

PROSPECTS

Given the ongoing global uncertainties, we expect the year ahead to be a challenging one. We also expect heightened competitive pressure as regional insurers gear up their operations in the region.

With our strong balance sheet and robust business fundamentals, we are well-positioned to continue to deliver profitable growth and sustained value for our shareholders.

Our focus will remain resolutely on further enhancing our customer-centred culture and growing our presence in markets where we currently operate. Asia is one of the most under-insured regions despite having the world's largest population base. This presents significant opportunities and we are well-placed to deepen and broaden our reach for future growth.

We will continue to play to our strengths.

At the forefront of our strategy will be to leverage on our unique Live Great Programme, the first integrated health and wellness programme of its kind in the industry, to generate new business

and greater engagement with our key stakeholders.

Our 104-year-old legacy, our Asian roots, our intimate knowledge of the markets we operate in and our synergistic relationship with the OCBC Group will stand us in good stead as we strive to be the most trusted and admired insurance provider.

We will strengthen collaborative efforts across the countries and further develop our core competencies while remaining prudent in managing our operations to maximise cost efficiencies.

A key priority will be to increase the productivity level across our operations. Investing in the development of our people, as well as attracting and retaining talent to drive growth, will remain a key focus. We will continue to actively engage our employees and distribution partners and harness our combined prowess to deliver the Great Eastern Experience.

ACKNOWLEDGEMENTS

There will be a change to our Board of Directors. Mr Lee Seng Wee, who has served as a Director since 1999 and was also on the Board of Great Eastern Life Assurance from 1975 to 2008, will be retiring from the Board at the forthcoming Annual General Meeting. I would like to formally place on record my sincere appreciation for his invaluable contributions to the Group all these years.

I also take this opportunity to extend a warm welcome to Mr Law Song Keng, who rejoined the Board on 1 January 2013. Mr Law is a well-respected figure in the insurance industry and brings with him a wealth of experience.

On behalf of the Group, I would like to express my appreciation to the Board

of Directors for their counsel and guidance. To our management and staff, thank you for your hard work and unwavering dedication. I would also like to acknowledge the support of all our partners, in particular the agency and bancassurance sales force and Great Eastern Financial Advisers, the Union and other stakeholders. My sincere gratitude also goes to our shareholders and customers for their confidence and for sharing in our vision to Live Great!

FANG AI LIAN (MRS)
Chairman
7 March 2013

GROUP CEO'S REVIEW



CHRISTOPHER WEI
Group Chief Executive Officer

Moving forward, Great Eastern's clear strategic focus on customer engagement, product innovation, professional competency and business collaboration will allow us to push on for greater success.

As a LIFE company, we want to inspire customers to take ownership of healthy living, so that they will be there to share life's special defining moments with loved ones.

A poignant quote from Albert Einstein – “Only a life lived for others is a life worthwhile” – sums up Great Eastern's refreshed brand positioning as a LIFE company. As we enter our 105th year as a company, our bold declaration that “We're not just a life insurance company, we're a LIFE company”, signals our ongoing resolve to meet consumers' evolving needs and our intention to provide more holistic support along their life journey.

As a LIFE company, we want to inspire customers to take ownership of healthy living, so that they will be there to share life's special defining moments with loved ones. We are striving to actively support our customers in their efforts to live better in their daily lives and will reward them for a healthier lifestyle. It is an unusual and unique business approach for an insurance company, but we believe one that enhances our value proposition, as we work to provide more benefits and superior value to our customers.

Knowing its potential impact on our base of approximately four million policyholders and those around them, we are excited. We believe that the approach will lead to a Great Eastern brand that resonates more strongly with our customers and their families. We are confident that it will bolster Great Eastern's business performance and usher in a new standard for customer engagement and service.

DELIVERING STRONG RESULTS

On this note, I am pleased to share with you the Group's full-year 2012 financial results. The Group has outperformed 2011 significantly, with net profit rising to S\$1,189.1 million from S\$385.7 million. While this included a S\$421.6 million post-tax gain from the sale of stakes in Asia Pacific Breweries Limited (APB) and Fraser & Neave, Limited (F&N) in August, net profit also improved on the back of strong growth in underwriting profit and a better investment performance as financial markets improved. Excluding the disposal gains, net profit doubled to a record high of S\$767.5 million in 2012.

Total weighted new sales for the Group increased 5% to S\$836.7 million in 2012, as we benefited from a strategic focus on regular premium products sales that rose 10% during the year. I am also proud to highlight that despite competitive pressures, we have managed to surpass the previous quarterly sales records for both Singapore and Malaysia this year. Sales in Singapore were driven by the sale of regular premium products across all channels, especially through our bancassurance channel. Malaysia too experienced buoyant sales for regular premium investment-linked products across both conventional and Takaful operations.

New Business Embedded Value (NBEV), a measure of the Group's long-

term economic profitability, stood at S\$352.7 million in 2012, compared with S\$364.8 million in 2011. NBEV was impacted by a shift in channel and product mix, as the Group launched incentives to drive sales of specific products to targeted customer segments amid heightened competitive pressure. In addition, we adjusted investment return assumptions in Singapore, reflecting the Group's pricing discipline and prudent stance in view of a prolonged low interest rate environment.

The Group's profit from insurance operations jumped 76% to S\$726.1 million in 2012, as we experienced sustained growth in underwriting profit from higher sales of protection-based products in Singapore and investment-linked products in Malaysia. Concurrently, a narrowing of credit and swap spreads, as well as increases in equity prices, also resulted in mark-to-market net gains in the Group's investments.

Profit from investments in Shareholders' Fund also rose significantly to S\$673.6 million from S\$85.0 million, largely due to gains from the sale of APB and F&N. Fees and other income stood at S\$64.8 million mainly from contributions by our asset management subsidiary, Lion Global Investors Ltd (LGI), which had S\$31.2 billion of assets under management as at 31 December 2012.

ENHANCING CUSTOMER EXPERIENCE

The rules of customer engagement have changed radically. Today's consumers expect quick response and are plugged into a wider variety of information sources. With the advent of social media, customers are increasingly dependent on peer recommendations when making decisions. In refreshing our brand and aligning the design of our propositions to different customer segments, we aspire to be truly relevant to our customers' lifestyle and demographics.

As we transform to become a more customer-centric organisation, the Group has made substantial progress in a few critical areas of execution. This includes our Live Great Programme, delivering innovative, relevant product solutions and growing through partnerships. Finally, and perhaps most important, is recruiting, developing and retaining our most valuable resource – our talent capital, which in turn supports a key strategic effort to build the most trusted and professional financial advisory capability.

UNIQUE CUSTOMER EXPERIENCE THROUGH THE LIVE GREAT PROGRAMME

The Live Great Programme, introduced across Singapore and Malaysia in 2012, is an important milestone in this respect. The first integrated health and wellness programme by an insurance company in the region, it demonstrates an unprecedented customer commitment – not just by encouraging customers to turn their health aspirations into real action, but equipping and rewarding them to live healthier, better and longer.

With Live Great, we have empowered customers with health and wellness tools such as an online portal with wide-ranging health care tips and resources, a web-based Wellness Profiling tool, mobile applications, workshops and activities, as well as a Live Great Card offering privileges at over 500 health and wellness establishments.

As a platform for customer engagement, Live Great offers invaluable opportunities

to reach out to new target customers and re-engage existing ones. Live Great events such as the Health and You exhibition, LOHAS Mega Health Seminar, Yoga for Life, Live Great Run and Great Eastern Women's Run were organised on a major scale, attracting overwhelming turnouts and generating valuable awareness of our new positioning.

To connect with today's digital-media savvy generation, in addition to a refreshed website, platforms such as YouTube, Facebook and Twitter were also used to promote the message of healthy living. Response to these digital media initiatives have been encouraging with approximately 100,000 likes for our Facebook page and more than 700,000 views of our YouTube channel, which showcases the latest innovations, tips and benefits of the Live Great Programme.

As we take a genuine interest in our customers' welfare, we have been reciprocated with greater customer confidence and loyal brand ambassadors who are enthused to share with their family, friends and colleagues on the benefits of the programme and the unique value proposition that Great Eastern brings to insurance.

STAYING AHEAD THROUGH PRODUCT INNOVATION

Placing customers at the heart of all we do also calls for greater responsiveness to customer trends and strength in product innovation, as we address the needs of evolving customer segments. This year, we continued to roll out a slew of new products ensuring we continued to lead the market in this area.

Demonstrating our deep understanding of customers, we introduced *Supreme Protect*, the first plan to offer Total and Permanent Disability coverage for whole of life, in Singapore. A revolutionary plan that redefines protection, *Supreme Protect* is also the first plan to incorporate a Guaranteed Insurability Benefit, allowing customers to increase their insurance coverage, including for Early-Payout Critical Care, with no medical underwriting. This assures

our customers of added protection at key stages of their lives, such as starting a family or getting married, and offers added peace of mind. The plan was well received by consumers with over 10,000 policies signed within six months of its launch. We have also been quick to identify and ride on market trends, as we were first to introduce an annuity product that qualifies for the new tax relief incentive under Malaysia's Financial Sector Blueprint.

For our emerging markets, we continued to launch products that cater to the needs of affluent and emerging affluent customers. This included products that protect consumers against rising health care costs as living standards improve and unit-linked investment products to match greater investor savvy. Product launches were also supplemented by presentations and talks on financial planning to promote greater awareness of wellness and health issues.

In line with the tagline of our Live Great Programme 'There will never be another you', we are investing in data analytics and data mining platforms to improve the quality of products and services, as well as to design products that are specific to each segment's unique needs. By knowing and understanding the needs of our customers better, we will also be able to keep abreast of new market opportunities and ensure customers are adequately protected against life's uncertainties.

GROWTH THROUGH PARTNERSHIPS

To create sustainable returns and truly succeed in markets where we operate, we are intensifying efforts to tap synergies across our multi-channel distribution force and integrated operations.

Our bancassurance channel through OCBC Bank, for example, enables us to tap into the bank's wide geographic network across Asia. In Indonesia, we successfully introduced Group Insurance as a new business line and were appointed as the insurance provider for Bank OCBC NISP's more than 14,000 employees. We also embarked on initiatives to enhance

our processing capabilities with OCBC Bank, which reduced approval time for our products and boosted the productivity of the bank's personnel.

On the asset management front, LGI gained a direct foothold in the Malaysian fund management industry through the acquisition of a 70% stake in Pacific Mutual Fund Berhad, an established and locally-licensed entity. LGI also marked a major milestone as it inked its first European institutional mandate from a German-based pension fund.

Not to be outdone, Great Eastern Financial Advisers have also stepped up on business collaborations, bringing in new partners to offer a wider suite of financial planning products and to cover a more diverse spread of insurance needs.

FOSTERING A CULTURE OF PROFESSIONALISM

Besides tapping on the strength of external partners, we are also focused on developing a strong and dedicated Great Eastern team. Our staff and agents have embraced our new customer proposition and strong focus on professionalism. Building on the core pillars of ethical practices, skills and knowledge gathering, we continue to invest significantly in training and upgrading to establish a professional agency force as our core distribution channel.

This year, we revitalised the Centre for Excellence training centre in Singapore and established the Great Eastern Academy to provide tailored and best-in-class training to support our goal of building the most trusted and professional advisory capability. With the Financial Advisory Industry Review (FAIR) requiring a higher quality of financial advisory services, the Group's continued efforts to develop a professional and well-qualified distribution force will stand it in good stead.

Talent capital plays a vital role as we reposition ourselves as a LIFE company and it remains our most valuable resource. To encourage staff, we have aligned our

reward programme to take in a more holistic view, emphasising the strong link between performance and rewards. Job rotations across different functions, levels, geographies and even within the OCBC family have also been encouraged to ensure we retain the best talent within the organisation. In line with our corporate value of "Involvement" – giving back to the communities that have supported Great Eastern in maintaining its market leadership position – we involved and engaged our staff in the meaningful contribution of thousands of volunteer hours with our main adopted charities. Along with enhanced engagement and strategic clarity, we have seen our Staff Engagement Scores continue to trend higher and Great Eastern operates in the "Best Employer" range in surveys done by Aon Hewitt.

A POSITIVE OUTLOOK FOR 2013

With operations spread across some of the fastest growing insurance markets in Asia – Singapore, Malaysia, Indonesia, Vietnam, China and Brunei – we remain optimistic of our growth trajectory and the potential opportunities in these markets for 2013.

In Singapore, we see opportunities to enhance protection coverage alongside health concerns of an aging population. In Malaysia, there is further potential for us to serve the needs of young working adults, tap opportunities from newly created retirement savings and to increase the penetration of Takaful products. For emerging markets, the under-insured populace in Indonesia and Vietnam provides room for growth. With a growing middle class and rising income levels in these countries, we will continue to tailor insurance solutions and build up distribution scale.

Despite the positive outlook, challenges remain for the insurance industry. Indeed, the advent of the Personal Data Protection Act in Singapore and Malaysia; and the formalisation of a Do-Not-Call registry allowing consumers to opt-out of telemarketing activities, does call for a shift in the ways insurers reach out to

consumers. While set to cause short term uncertainty, these measures will ultimately be positive as it raises the bar and ensures that only insurers that understand their customers and have the flexibility to evolve will succeed.

Other regulatory developments like Malaysia's new Financial Services Act and the review of the Risk-Based Capital Framework in Singapore, aim to create better governance and ensure insurers are prepared against possible external shocks. The Group continues to be strongly capitalised, with Capital Adequacy Ratios remaining above the regulatory ratios in both markets.

Moving forward, Great Eastern's clear strategic focus on customer engagement, product innovation, professional competency and business collaboration will allow us to push on for greater success. We will continue our disciplined approach towards refining customer value add, through programmes like Live Great, and expand our products and services suite to meet evolving customer needs. We believe that these efforts will deliver sustained value for the Group in the long term.

IN APPRECIATION

In closing, I would like to thank our Chairman Mrs Fang Ai Lian and the Board of Directors for their visionary leadership. My appreciation also goes to the management team, staff and agency force for their unwavering faith and commitment. Last but not least, my sincere thanks to our shareholders and loyal customers who have continued to place their confidence in Great Eastern.



CHRISTOPHER WEI
Group Chief Executive Officer
7 March 2013

BOARD OF DIRECTORS



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10

1. Fang Ai Lian 2. Christopher Wei
3. Cheong Choong Kong 4. Norman Ip 5. Koh Beng Seng
6. Law Song Keng 7. Lee Seng Wee 8. Lee Chien Shih
9. Tan Yam Pin 10. Samuel N Tsien

FANG AI LIAN

Chairman

Mrs Fang was first appointed to the Board of Great Eastern Holdings Limited (the "Company") on 1 April 2008 as a non-executive Director and was appointed as Chairman of the Company upon her re-appointment as a Director on 15 April 2008. She was last re-elected as the Company's Director on 18 April 2012. She was appointed Chairman of the Company's principal insurance subsidiaries – The Great Eastern Life Assurance Company Limited ("Great Eastern Life") and The Overseas Assurance Corporation Limited ("OAC") on 15 April 2008, Great Eastern Life Assurance (Malaysia) Berhad ("GELM") and Overseas Assurance Corporation (Malaysia) Berhad ("OACM") on 3 June 2008.

She also serves as a Director in several companies, including Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Banyan Tree Holdings Limited, Singapore Telecommunications Limited, Metro Holdings Limited and MediaCorp Pte Ltd. She is the Chairman of the Singapore Business Federation's Board of Trustees and a Member of the Singapore University of Technology and Design's Board of Trustees. She was previously a Board member of Public Utilities Board (until 1 April 2009), International Enterprise Singapore (until 1 January 2010) and on the Governing Board of Duke-NUS Graduate Medical School of Singapore (until 1 January 2012). Mrs Fang was formerly Chairman of Ernst & Young, from which she retired after a 34-year career.

Mrs Fang is a Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Certified Public Accountants of Singapore and a Member of the Malaysian Institute of Certified Public Accountants.

CHRISTOPHER WEI

Group Chief Executive Officer

Mr Wei was appointed to the Company's Board on 10 February 2011 upon his appointment as the Group Chief Executive Officer of the Company, Great Eastern Life and OAC with effect from 10 February 2011. He was last re-elected as the Company's Director on 14 April 2011. He is also a Director of its subsidiaries including Great Eastern Life, OAC, GELM, OACM, Great Eastern Financial Advisers Private Limited and Deputy Chairman of the Company's asset management subsidiary, Lion Global Investors Limited. Mr Wei is also a Director of Singapore Reinsurance Corporation Ltd.

Since joining the Company, Mr Wei has set new strategic directions for the Great Eastern Group and refreshed the Company's customer value proposition and brand ambition to be a LIFE company. He is a staunch champion of Great Eastern's Live Great Programme which helps customers live a healthy lifestyle and has been instrumental in spearheading the Company's foray into the social media space. In addition, Mr Wei is committed to sustaining Great Eastern's track record in building the most trusted and professional advisory capability, and maximising the revenue and operational synergies with its parent, OCBC Bank.

Among his varied experience in the industry, Mr Wei was the Executive Vice President and Group Chief Marketing Officer of American International Assurance Company Limited. He also held the position of Chief Executive Officer at AIG United Guaranty Insurance (Asia) Limited in Hong Kong. His previous experience in the insurance industry included working at ING Canada Inc. and Allstate Insurance Company of Canada where he held various positions including Chief Risk Officer. Aside from risk management, Mr Wei also led the development of strategic planning, customer segmentation and data analytics capabilities for the companies he worked in.

Mr Wei graduated with a Bachelor of Science (Hons) from the University of Toronto in 1991 where he completed a specialist programme in actuarial science. He is an associate of the Casualty Actuarial Society and a member of the American Academy of Actuaries.

CHEONG CHOONG KONG

Dr Cheong was first appointed to the Board of the Company on 7 January 2005 and was last re-appointed as the Company's Director on 18 April 2012. He is a Director of OAC and was a Director of Great Eastern Life until 15 April 2008. He is the Patron of the Movement for the Intellectually Disabled of Singapore, Chairman of OCBC Bank and a Board Director of OCBC Management Services Pte Ltd. He was formerly a Director of Singapore Press Holdings Limited (until 4 December 2007) and Singapore Airlines Limited until June 2003, where he last held the position of Deputy Chairman and Chief Executive Officer.

Dr Cheong holds a Bachelor of Science (First Class Honours in Mathematics) from the University of Adelaide and a Master of Science and Ph.D. in Mathematics and (Honorary) Doctor of Science from the Australian National University, Canberra.

NORMAN IP

Mr Ip was first appointed to the Board of the Company on 5 March 2010 and was last re-elected as the Company's Director on 15 April 2010. He was appointed as a Director of OAC on 15 May 2012. Mr Ip is the Chairman of WBL Corporation Limited and Malaysia Smelting Corporation Berhad. He is also a Director of United Engineers Limited, AIMS AMP Capital Industrial REIT Management Limited and UE E&C Ltd, and a Board Member of the Building and Construction Authority. He was previously a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange (until 22 June 2011). He retired as the President and Group CEO and Executive Director of The Straits Trading Company Limited group of companies on 31 October 2009.

Mr Ip graduated with a BSc (Econs) from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Certified Public Accountants of Singapore.

KOH BENG SENG

Mr Koh was appointed to the Board of the Company on 2 January 2008 and last re-elected as the Company's Director on 18 April 2012. Mr Koh is the Chief Executive Officer of Octagon Advisors Pte Ltd. He is also a Director of Singapore Technologies Engineering Limited, BOC Hong Kong (Holdings) Limited, Bank of China (Hong Kong) Limited and Sing-Han International Financial Services Limited.

He was previously Deputy President of United Overseas Bank Ltd ("UOB") (until 31 January 2005) and a Director of UOB, Far Eastern Bank Ltd (until 15 February 2005), Japan Wealth Management Securities Inc. (until December 2011) and Fraser and Neave, Limited (until 26 February 2013). Mr Koh was previously, for 24 years until 1998 with the Monetary Authority of Singapore ("MAS"), his last appointment being Deputy Managing Director, Banking and Financial Institution Group. After he left MAS in 1998, he was an advisor to the International Monetary Fund (from 1998 to 2000) to reform Thailand's financial sector.

Mr Koh holds a Bachelor of Commerce (First Class Hons) from the former Nanyang University, Singapore, and a Master of Business Administration from Columbia University, USA.

LAW SONG KENG

Mr Law was first appointed to the Board of the Company on 1 January 2013. He is also a Director of IFS Capital Limited, ECICS Limited, Asia Capital Reinsurance Group Pte Ltd and ACR Capital Holdings Pte Ltd. Mr Law was previously Deputy Managing Director (Administration and Insurance) at the Monetary Authority of Singapore (until August 1992), Managing Director and Chief Executive Officer of OAC (until June 2003), Director of Great Eastern Holdings (until June 2003), a member of Central Provident Fund (until June 2012) and Director of Manulife (Singapore) Pte Ltd (until September 2012).

Mr Law holds a Bachelor of Science (First Class Honours in Mathematics) from the University of Singapore and a Master of Science (Actuarial Science) from the Northeastern University, USA. He is a Fellow of Society of Actuaries, USA, and was awarded the Public Service Star (BBM) in 2001.

LEE SENG WEE

Mr Lee was first appointed to the Board of the Company on 28 September 1999 and last re-appointed as the Company's Director on 18 April 2012. He has been a Director of OAC since 2001. He was on the Board of Great Eastern Life (since February 1975) until 15 April 2008.

Mr Lee is a Director of OCBC Bank since 1966 and was previously its Chairman from August 1995 to June 2003. He is also a Director of the Lee Rubber Group of companies and Lee Foundation.

Mr Lee holds a Bachelor of Applied Science in Engineering from the University of Toronto and a Master of Business Administration from the University of Western Ontario, Canada.

LEE CHIEN SHIH

Mr Lee was first appointed to the Board of the Company on 7 July 2005 and was last re-elected as the Company's Director on 14 April 2011. He is a Director of OAC and was a Director of Great Eastern Life until 15 April 2008.

He is a Director of the Lee Rubber Group of companies, Lee Foundation and Bukit Sembawang Estates Limited. He was previously a Director of Frasers Centrepoint Limited (until 23 February 2007) and West Pacific Medical Services Pte Ltd (until 10 May 2010).

Mr Lee holds a MBBS from the National University of Singapore.

TAN YAM PIN

Mr Tan was first appointed to the Board of the Company and Great Eastern Life and OAC on 7 January 2005 and last re-appointed as the Company's Director on 18 April 2012. Mr Tan is also a Director of Singapore Post Limited, Keppel Land Limited, Blue Scope Steel Limited (Australia) and Leighton Asia Limited (Hong Kong). He has been a Member of the Singapore Public Service Commission since 1990. He was previously a non-executive Chairman of Singapore Food Industries Limited (until April 2009), Chairman of Power Seraya Limited (until early March 2009) and a Director of Certis Cisco Security Private Limited (until 1 January 2009).

Mr Tan holds a Bachelor of Arts (Hons) from the University of Singapore and a Master of Business Administration from the University of British Columbia, Canada. He is a Fellow of the Canadian Institute of Chartered Accountants, Canada.

SAMUEL N TSIEN

Mr Tsien was first appointed to the Board of the Company on 15 April 2012 and was last re-elected as the Company's Director on 18 April 2012. He was appointed as a Director of OAC on 15 April 2012.

Mr Tsien is the Group Chief Executive Officer of OCBC Bank. He is the Chairman of OCBC Bank (China) Ltd and Singapore Island Bank Ltd. He is a Director of OCBC Bank (Malaysia) Bhd, OCBC Al-Amin Bank Bhd, Bank of Singapore, Mapletree Commercial Trust Management Ltd and a Commissioner of PT Bank OCBC NISP Tbk.

He also serves as a Member of the Malaysia-Singapore Business Council, the Council of the Association of Banks in Singapore, the Advisory Committee of the MAS Financial Sector Development Fund, the Asian Pacific Bankers Club and The f-Next Council of Institute of Banking & Finance.

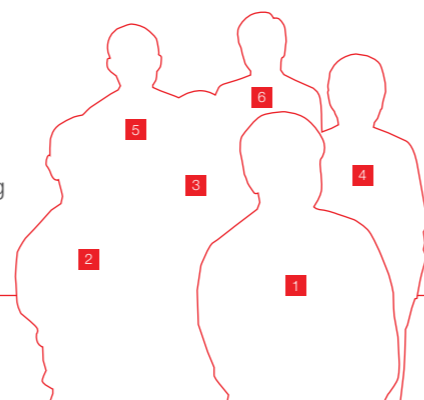
Prior to joining OCBC Bank, Mr Tsien was the President and Chief Executive Officer of Bank of America (Asia) Ltd and China Construction Bank (Asia) Corporation Ltd, in Hong Kong respectively.

Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles (UCLA).

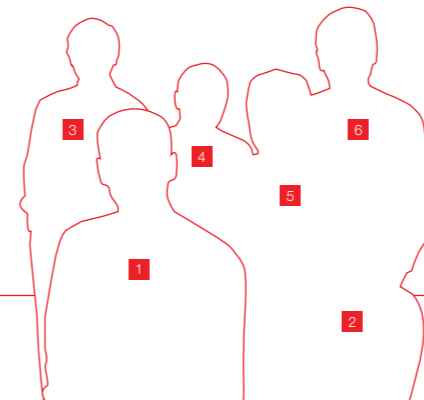
KEY EXECUTIVES



1. Tony Cheong
2. Yoon Mun Thim
3. Andrew Lee
4. Ho Ming Heng
5. David Chiang Boon Kong
6. Dr Khoo Kah Siang



1. Christopher Wei
2. Jennifer Wong Pakshong
3. Ronnie Tan
4. Chin Wee Cheak
5. Loo Boon Teik
6. Dato Koh Yaw Hui



CHRISTOPHER WEI**Group Chief Executive Officer**

(Mr Wei's profile can be found on page 21 of this report.)

TONY CHEONG**Group Chief Financial Officer**

With Great Eastern since 2009. Oversees the finance and actuarial functions of the Group. Also responsible for driving the Group's corporate strategy.

Qualifications: BSc (1st Class Hons) in Actuarial Science, London School of Economics & Political Science; Fellow of the Institute of Actuaries, UK.

ANDREW LEE**Group Chief Marketing and Distribution Officer**

With Great Eastern since 2010 and OCBC Bank since October 1999. Responsible at the Group level for brand management, strategic marketing, product management and distribution management.

Qualifications: BSocial Science (Hons) in Economics, University of Singapore.

KHOO KAH SIANG (DR)**Chief Executive Officer (Singapore),****The Great Eastern Life Assurance Company Limited**

With Great Eastern since 2006. Responsible for driving and growing the life, group and general insurance business, Net Profit After Tax and New Business Embedded Value for Great Eastern Life and Overseas Assurance Corporation in Singapore.

Qualifications: Ph.D Statistics, University of Kent, Canterbury, UK; Fellow of the Institute of Actuaries, UK.

DATO KOH YAW HUI**Chief Executive Officer,****Great Eastern Life Assurance (Malaysia) Berhad**

With Great Eastern since 2002. Responsible for the operations and business growth, Net Profit After Tax and New Business Embedded Value for Great Eastern Life and Overseas Assurance Corporation in Malaysia.

Qualifications: BSocial Science (Hons) in Economics, Universiti Sains Malaysia; Fellow of Life Management Institute, USA; Registered Financial Planner (RFP); Shariah RFP.

YOON MUN THIM**Group Chief Investment Officer**

With Great Eastern since 2009. Responsible for the formulation of the Group's investment strategies and management of investments within the Group.

Qualifications: BArts and Master of Arts, University of Cambridge; Master of Business Administration (Distinction), Warwick Business School, University of Warwick; Chartered Financial Analyst.

HO MING HENG**Managing Director, Group Operations & IT**

With Great Eastern since 2008. Overall head of IT and insurance operations for the Group. Supports all business units in the implementation of operations policy, and in particular the synergy, transformation, and alignment of insurance processes across all business units. Also functions as the Group Chief Information Officer responsible for all aspects of IT, from formulating and driving IT Strategy to ensuring the smooth delivery and optimal use of technology within the Group.

Qualifications: BSc (1st Class Hons) in Engineering, King's College, London University, UK.

CHIN WEE CHEAK**Head, Group Audit**

With Great Eastern since 2009 and the OCBC Group since 1999. Responsible for the independent and objective assessment of the Group's network of risk management, control and governance processes through internal audits.

Qualifications: BAccountancy (2nd Upper Class Hons), National University of Singapore.

JENNIFER WONG PAKSHONG**Group Company Secretary and General Counsel**

With Great Eastern since 2009 and the Group since 1999. Oversees the corporate secretarial and legal functions of the Group.

Qualifications: LLB (Hons), University of Bristol (UK); LLM (with Merit), University College London; Degree of an Utter Barrister, Gray's Inn (UK); admitted as an Advocate and Solicitor of the Supreme Court of Singapore.

RONNIE TAN**Head, Group Risk Management**

With Great Eastern since 2002. Responsible for the management of the various risks of the Group, including market, credit, liquidity, insurance, operational, technology and compliance risks.

Qualifications: BSc in Business Administration (Highest Distinction), University of Nebraska-Lincoln; Chartered Financial Analyst; Fellow of the Society of Actuaries; Member of The American Academy of Actuaries.

LOO BOON TEIK**Group Actuary**

With Great Eastern since 2009. Assists the Group Chief Financial Officer to oversee the actuarial function of the Group.

Qualifications: BSc (1st Class Hons) in Actuarial Science, London School of Economics & Political Science; Fellow of the Institute of Actuaries, UK.

DAVID CHIANG BOON KONG**Managing Director, Group Human Capital**

With Great Eastern since 1997. Responsible for the change programmes and development of human capital within the Group.

Qualifications: BBA (1st Class Hons), National University of Singapore.

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Great Eastern Holdings Limited (“GEH” or the “Company”) place great importance on high standards of corporate conduct and are committed to promoting and maintaining values which emphasize integrity, honesty and proper conduct at all times in the business operations and dealings of the Company and its subsidiaries (collectively, the “Group”).

Following the approval of GEH as a financial holding company by the Monetary Authority of Singapore (“MAS”) on 27 April 2012, GEH now adopts corporate governance practices that conform with the Banking (Corporate Governance) Regulations 2005 and the Banking (Corporate Governance) (Amendment) Regulations 2010 (collectively, the “CG Regulations”), and any exemptions thereof, as well as the corporate governance guidelines issued by MAS (the “MAS CG Guidelines”). The Company also observes the Singapore Exchange Securities Trading Limited’s Code of Corporate Governance 2005 (the “Code”).

THE BOARD’S CONDUCT OF AFFAIRS

Board responsibilities and accountability

The Company’s Board provides strategic direction to the Company and the Group and its principal role and functions include the following:

- (a) reviewing and approving the overall business strategy as well as organisation structure of the Company and the Group, developed and recommended by Management;
- (b) ensuring that decisions and investments are consistent with the long-term strategic goals for the Company and the Group;
- (c) ensuring that obligations to shareholders and others are understood and met;
- (d) ensuring that the necessary human resources are in place for the Company to meet its objectives;
- (e) ensuring that the Company is operated so as to preserve its financial integrity and in accordance with policies approved by the Board;
- (f) reviewing any transaction for the acquisition or disposal of assets that is material to the Company and to the Group;
- (g) providing oversight in ensuring that the risk appetite and activities of the Company and Group are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards;
- (h) overseeing, through the Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls;
- (i) overseeing, through the Risk and Investment Committee, the establishment and operation of an independent risk management system, the adequacy of the risk management function and the quality of the risk management processes and systems;
- (j) overseeing the succession planning for key senior executive positions within the Group and responsibility for the selection and appointment of the Group CEO including the review of the appointment and removal of any executive officer, as deemed necessary;
- (k) ensuring that Management formulates policies and processes to promote fair practices and high standards of business conduct by staff;
- (l) establishing corporate values and standards, emphasizing integrity, honesty and proper conduct at all times, with respect to internal dealings and external transactions, including situations where there are potential conflicts of interests;
- (m) providing a balanced and understandable assessment of the performance, position and prospects of the Company and the Group, and this extends to interim and other price-sensitive public reports, and reports to regulators;
- (n) overseeing, through the Remuneration Committee, the design and operation of an appropriate remuneration framework and ensuring that the remuneration practices are aligned and accord with the remuneration framework;
- (o) monitoring management performance; and
- (p) maintaining records of all Board and Board Committee meetings, in particular, records of discussions of key deliberations and decisions taken.

Board Committees

The Board has established a number of Board committees (“Board Committees”) to assist it in carrying out more effectively its oversight of the operations and business affairs of the Company and the Group. These Board Committees consist of the Nominating Committee, Remuneration Committee, Audit Committee, Executive Committee and the Risk and Investment Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference.

CORPORATE GOVERNANCE REPORT

The Company's Board Committees in carrying out their responsibilities in accordance with their respective terms of reference are also actively engaged in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the roles and principal responsibilities of the Board Committees are set out in the relevant sections on the respective Board Committees in this Report. Minutes of all Board Committee meetings, which provide a fair and accurate record of the discussions and the key deliberations and decisions taken during the meetings, are maintained.

Meetings and Directors' attendance

The Board meets regularly during the year, to review the business performance and key activities of the Group presented by

Management, and to consider business proposals of a significant nature. Decisions are taken objectively in the interests of the Company. The Board works with Management to achieve this and the Management remains accountable to the Board. Where warranted by particular circumstances, ad hoc Board or Board Committee meetings will be convened. In 2012, the Board held eight scheduled Board meetings and two ad hoc Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Articles of Association.

The number of meetings of the Board and Board Committees held in 2012 and the attendance of the Directors at those meetings are tabulated below.

Directors' attendance at Board and Board Committee meetings in 2012

Name of Director	Board			Nominating Committee ("NC")		Audit Committee ("AC")	
	No. of Meetings			No. of Meetings		No. of Meetings	
	Scheduled*	Ad hoc	Attended	Scheduled	Attended	Scheduled	Attended
Fang Ai Lian	8	8	2	2	2	4	4
Christopher Wei ⁽¹⁾	8	8	2	–	–	–	–
Cheong Choong Kong	8	8	2	2	2	–	–
David Conner ⁽²⁾	1	1	1	–	–	–	–
Norman Ip	8	8	1	–	–	4	4
Koh Beng Seng	8	8	2	–	–	–	–
Lee Seng Wee	8	8	2	2	2	–	–
Lee Chien Shih	8	8	2	–	–	–	–
Tan Sri Dato' Dr Lin See-Yan ⁽³⁾	2	2	1	–	–	1	1
Tan Yam Pin	8	8	1	2	2	4	4
Samuel N Tsien ⁽⁴⁾	7	7	1	–	–	–	–

CORPORATE GOVERNANCE REPORT

Directors' attendance at Board and Board Committee meetings in 2012 (continued)

Name of Director	Remuneration Committee ("RC")		Executive Committee ("Exco")			Risk and Investment Committee ("RIC")	
	No. of Meetings		No. of Meetings			No. of Meetings	
	Scheduled		Scheduled	Ad hoc		Scheduled	
	Held	Attended	Held	Attended	Attended	Held	Attended
Fang Ai Lian	2	2	6	6	2	6	6
Christopher Wei ⁽¹⁾	–	–	3	3 ⁽⁵⁾	2	6	6
Cheong Choong Kong	–	–	6	6	2	–	–
David Conner ⁽²⁾	1	1	2	2	1	2	2
Norman Ip	–	–	–	–	–	6	6
Koh Beng Seng	2	2	–	–	–	6	6
Lee Seng Wee	–	–	–	–	–	–	–
Lee Chien Shih	2	2	–	–	–	–	–
Tan Sri Dato' Dr Lin See-Yan ⁽³⁾	–	–	–	–	–	–	–
Tan Yam Pin	–	–	6	6	2	–	–
Samuel N Tsien ⁽⁴⁾	–	–	–	4 ⁽⁵⁾	1 ⁽⁵⁾	4	3

Notes:

- (1) Ceased as Member of Exco with effect from 20 June 2012.
- (2) Resigned as Director and as Member of Exco, RC and RIC with effect from 15 April 2012.
- (3) Retired as Director and as Member of AC with effect from 18 April 2012.
- (4) Appointed as Director and as Member of RIC with effect from 15 April 2012.
- (5) By invitation.
- (6) Directors' attendance at the AGM is not included in the above table.
- (7) Directors' attendance at two Board sessions without Management is not included in the above table.

The number of meetings indicated in "Held" above reflects the number of meetings held during the time the respective Directors held office.

* including Board Retreat on 13 September 2012.

Total number of ad hoc meetings held in 2012 – Board: 2, Exco: 2.

CORPORATE GOVERNANCE REPORT

The Company has adopted internal guidelines on matters which require Board approval. Matters requiring Board approval include overall business strategy and direction, significant policies governing the operations of the Group, strategic or significant acquisitions, investments and divestments by the Group, corporate restructuring, major corporate initiatives and other Group activities of a significant nature, dividend policy and dividend declaration, the quarterly and year-end financial reporting and announcement of financial results and financial statements of the Company and the Group.

Appointment of New Directors

Newly-appointed Directors will be apprised of their statutory duties and obligations and issued a Director's orientation kit which will include key information on the Company and the Group and terms of reference of the Board and Board Committees. A formal letter of appointment will be issued to each new Director setting out the scope of his duties and obligations as well as the time commitment expected of him. As part of the induction programme for new Directors, Management will brief new Directors on the Group's principal activities, in particular, the insurance business and the induction programme will be tailored to the specific development needs of the new Director. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the Directors and to enable them to have a more comprehensive understanding of the Group, the insurance business and practices and the Group's financial statements.

Board Development

The Nominating Committee ensures there is a continuous professional development programme for all Directors, to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Directors are continually updated on developments affecting the insurance industry. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry and provides updates on developments in the industry locally and in other developed countries. A reference library containing publications and materials relating to the insurance industry and other relevant publications has been set up for Directors and industry-related or topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Continued training and development programmes for Directors are more flexible and Directors may attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other external professional organisations. The Company funds the training and development programmes that it arranges for existing and new Directors.

BOARD COMPOSITION AND GUIDANCE

Board Membership

The Company's present Board of ten Directors comprises a non-executive Chairman, Mrs Fang Ai Lian, eight other non-executive Directors and an executive Director and Group Chief Executive Officer ("Group CEO"), Mr Christopher Wei. The eight other non-executive Directors are Dr Cheong Choong Kong, Mr Norman Ip, Mr Koh Beng Seng, Mr Law Song Keng, Mr Lee Seng Wee, Mr Lee Chien Shih, Mr Tan Yam Pin and Mr Samuel N Tsien.

Mr Samuel N Tsien was first appointed to the Board of the Company on 15 April 2012, and subsequently re-appointed at the Company's annual general meeting ("AGM") on 18 April 2012. Mr Law Song Keng joined the Board on 1 January 2013 and under the Company's Articles of Association, he will cease to hold office as a Director at the forthcoming AGM, but will be eligible thereat. Tan Sri Dato' Dr Lin See-Yan retired as a Director following the conclusion of the AGM on 18 April 2012. Mr David Conner ceased to be a Director of the Company on 15 April 2012 following his retirement as CEO of Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), the Company's holding company.

Mr Lee Seng Wee will be retiring under Section 153 of the Companies Act, Chapter 50 at the forthcoming AGM of the Company and will not be offering himself for re-appointment.

Board independence

The Company determines the independence of its Directors in accordance with the requirements under the CG Regulations. Under the CG Regulations, an independent Director is one who is independent from management, substantial shareholders and business relationships with the Company, and has not served for more than nine years on the Board.

Board Composition

The Board is required to have at least one-third of Directors who are independent Directors and at least a majority of Directors who are independent from management and business relationships.

The Company's Board comprises at least one-third of independent Directors. The Nominating Committee determines annually whether a Director is independent. Taking into consideration the definition of "independence" of a director under the CG Regulations, the Nominating Committee has determined that the Company's independent Directors are: Mr Norman Ip, Mr Koh Beng Seng, Mr Law Song Keng and Mr Tan Yam Pin.

CORPORATE GOVERNANCE REPORT

Mrs Fang Ai Lian, Dr Cheong Choong Kong and Mr Lee Seng Wee sit on the board of OCBC Bank and are not independent from substantial shareholder, but independent from management and business relationships with the Company and its subsidiaries, under the CG Regulations.

Dr Cheong Choong Kong was also a party to an agreement with OCBC Management Services Private Limited, a wholly-owned subsidiary of OCBC Bank, during the financial year under review, under which he was appointed as a consultant and entitled to certain payments and benefits (details of which are provided in the Directors' Report). The agreement expired and ceased on 30 June 2012. Mr Lee Chien Shih is deemed non-independent from substantial shareholder, but is independent from management and business relationships. Mr Samuel N Tsien and Mr Christopher Wei are non-independent Directors. Mr Samuel N Tsien is the Group CEO of OCBC Bank and Mr Christopher Wei is the executive Director and Group CEO of the Company.

The current Board complies with the requirements on board composition and board independence under the CG Regulations as four out of ten Directors are independent Directors and eight out of ten Directors are independent from management and business relationships with the Company and its subsidiaries.

The Board, through its Nominating Committee, is of the view that the current Board size facilitates effective decision making, taking into account the scope and nature of the operations of the Company and the Group.

The Board members of the Company are from diverse backgrounds and qualifications, and bring a wide range of commercial and financial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company and the Group, including industry knowledge in insurance (including key products, customers) and actuarial science, investment and asset management (including real estate and property), knowledge in banking, accounting, finance, strategy formulation, management experience and risk management. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities.

With the knowledge, objectivity and balance contributed by the non-executive Directors, they constructively challenge and help develop proposals on strategy and review the performance of Management against agreed goals and objectives and monitor the reporting of performance.

The non-executive Directors met twice during the year without the presence of Management to discuss matters such as the performance and effectiveness of Management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman, Mrs Fang Ai Lian, and the Group CEO, Mr Christopher Wei, are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Company has Board-approved internal guidelines setting out the scope of authority of the Chairman and the Group CEO. The Chairman and the Group CEO are not related to each other.

The principal responsibilities of the Chairman include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between executive and non-executive Directors and between the Board and Management and promotes high standards of corporate governance with the full support of the other Directors, the Group Company Secretary and Management.

The Group CEO manages the Company and oversees the Group's operations and implementation of the Group's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Group's businesses, including implementing the Board's decisions, is carried out with the assistance of the senior management executives of the Group. Collectively, they are responsible for the day-to-day operations and administration of the Company and the Group, ensuring, *inter alia*, operational and organisational efficiency, profitable performance of the operating units, regulatory compliance, good corporate governance and effective risk management.

The Board has not appointed a Lead Independent Director as the Chairman and Group CEO are already separate persons, are not related to each other and are not both part of the same executive management team. The Chairman, a non-executive director, performs an effective check and balance on management. As part of its continuous assessment of corporate governance standards, the Board will appoint one when the board situation warrants it.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS

NOMINATING COMMITTEE

The Nominating Committee is required to comprise at least five Directors, with at least one-third of Directors being independent directors and at least a majority being independent from management and business relationships by 29 April 2013.

CORPORATE GOVERNANCE REPORT

The Company's Nominating Committee comprises four Directors, being Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong, Mr Lee Seng Wee and Mr Tan Yam Pin. Additional appointments will be effected to ensure that the Nominating Committee complies with the CG Regulations by 29 April 2013. The appointment of Nominating Committee members is subject to the prior written approval of MAS.

The responsibilities of the Nominating Committee are set out in its Board-approved terms of reference. The Nominating Committee is responsible for identifying candidates, reviewing and recommending nominations and/or re-nominations of Directors on the Board and Board Committees. It also reviews nominations and makes recommendations to the Board for key senior management positions in the Company and the Group.

The Nominating Committee has a key role in carrying out the formal and transparent process established for the appointment of new Directors to the Board. Having regard to the competencies and skills required at the Board, the Nominating Committee establishes annually the profile required of the Board members, before making any recommendations on the appointment of new Directors, where necessary. The Nominating Committee may engage external search consultants to source for potential candidates. Proposals for the appointment of new Directors are reviewed by the Nominating Committee. The Nominating Committee meets with the short-listed candidates to assess their suitability and commitment. Competent individuals are nominated for Board approval after the Nominating Committee has assessed their suitability taking into consideration their professional qualifications, integrity, financial and commercial business experience and field of expertise relevant to the Group, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board.

In addition, the Nominating Committee further determines the proposed candidate's independence under the CG Regulations and ensures that the proposed candidate would satisfy the criteria under the CG Regulations in that his/her appointment would not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he/she is a fit and proper person for the office, taking into account his/her track record, age, experience, capabilities, skills and other relevant factors as may be determined by the Nominating Committee. All Board appointments are subject to the prior written approval of MAS.

Re-nomination of Directors

All Directors of the Board are required to submit themselves for re-nomination and re-election at regular intervals, at least once every three years. At each AGM of the Company, one-third of the Directors, being those who have served longest in office since their re-election, are required to retire by rotation in accordance

with the Company's Articles of Association. Such retiring Directors are eligible for re-election when re-nominated by the Nominating Committee, taking into account the Directors' attendance at meetings, their expertise, knowledge and commitment, and their contributions to Board discussions and to the effectiveness of the Board.

The Nominating Committee held a total of two meetings in 2012.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Company has established guidelines on meeting attendance and appointments outside the Company. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than three other listed companies, while a Director who does not have any full-time employment, shall have appointments in no more than six other listed companies. The Nominating Committee annually assesses each Director's attendance record, degree of participation and preparedness at meetings.

Key information on Directors

The key information on each Director is set out under the 'Board of Directors' section in this annual report, and details of their membership in the various Board Committees are set out in this Report. Directors' interests in shares and share options in the Company and in the Company's parent company, OCBC Bank and other related corporations are disclosed in the Directors' Report. The Company does not grant share options to non-executive Directors of the Company. The Directors do not hold shares in the Company's subsidiaries.

BOARD PERFORMANCE

The Board has an annual performance evaluation process, carried out by the Nominating Committee, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director. Each Director evaluates the performance of the Board and Board Committees and conducts a self-assessment and a peer-assessment of the other members of the Board. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. Aon Hewitt Singapore Pte Ltd is engaged to facilitate the process, provide industry benchmarks and maintain confidentiality of results.

The Board has found that such individual assessments by the Directors are useful and constructive since the implementation of such evaluation process several years ago. This collective process has also provided an opportunity to obtain insightful feedback from each Director on suggestions to enhance the effectiveness of the Board and has helped Directors to be more focused on their duties, responsibilities and contributions to the effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

ACCESS TO INFORMATION

The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. In respect of matters for approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget if applicable and Management's recommendation. The senior management executives who can provide additional information and insight or provide clarification to queries raised are usually present at the meeting during discussions on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board. All Board and Board Committee members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

Information furnished to the Board on an on-going basis includes the monthly Group financials and the quarterly reports on the financial results and performance of the Group and principal subsidiaries within the Group, with explanations of material variances between actual results and the business plan/budget. Management also provides the Board with information on potentially material risks facing the business including credit, market, liquidity and operational risks.

Directors have separate and independent access to the Group Company Secretary and to senior management executives of the Company and the Group at all times.

The Group Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, she ensures good information flows within the Board and Board Committees and between senior management and non-executive Directors. The Group Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of the Group Company Secretary is considered to be a matter for the Board as a whole.

The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively, at the expense of the Company or the Group, as applicable. Similarly, the Board and each Board Committee may obtain the professional advice that it requires to assist in its work.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

REMUNERATION COMMITTEE

The Remuneration Committee is required to comprise at least three Directors, with at least one-third of Directors being independent directors and at least a majority being independent from management and business relationships.

The Company's Remuneration Committee comprises three non-executive Directors, being Mrs Fang Ai Lian (Chairman), Mr Koh Beng Seng and Mr Lee Chien Shih. All the members of the Remuneration Committee are independent from management and business relationships and Mr Koh Beng Seng is an independent Director under the CG Regulations. Mr David Conner ceased to be a member of the Remuneration Committee on 15 April 2012.

The Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for fixing the remuneration packages of individual Directors and senior management executives. The responsibilities of the Remuneration Committee are set out in its Board-approved terms of reference.

The principal responsibilities of the Company's Remuneration Committee are as follows:

- (1) recommending to the Board for endorsement a framework of Directors' fees, as well as remuneration of executive Directors and senior management executives. For executive Directors and senior management executives, the framework covers all aspects of remuneration including salaries, allowances, bonuses, share options and other incentives and benefits;
- (2) recommending specific remuneration packages for the Group CEO and respective CEOs of the Company's principal insurance subsidiaries; and
- (3) ensuring that the Group's remuneration policies and practices are aligned with the approved framework and that remuneration packages are appropriate to attract, retain and motivate the executive Director and senior management executives without being excessive.

In considering its recommendations to the Board and in approving remuneration, the Remuneration Committee ensures that remuneration policies are in line with the Group's strategic objectives and corporate values, and do not give rise to conflicts between the objectives of the Company and interests of individual Directors and key executives.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee members are knowledgeable in the field of executive compensation and also have access to expert advice from external independent compensation consultants, where necessary. The Remuneration Committee will ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.

Remuneration of non-executive Directors

The non-executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at meetings and the frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his own remuneration.

The Remuneration Committee performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the earlier Board-approved fee structure, before recommending any proposed changes to the Board for endorsement and approval. The Directors' fees proposed by the Board each year are subject to shareholders' approval at the Company's AGM.

The Remuneration Committee has considered the market practices for non-executive director compensation and, on its recommendation, the Board has decided to adopt the following fee structure for computing the fee for each non-executive Director for the financial year ended 31 December 2012 ("FY2012"):-

Board

- Annual fee for Chairman: \$300,000
- Annual fee for other member: \$75,000

Board Committees

- Annual fee for Chairperson: \$60,000 for Audit Committee, Executive Committee, Risk and Investment Committee; \$30,000 for Nominating Committee, Remuneration Committee.
- Annual fee for other Committee Member: \$30,000 for Audit Committee, Executive Committee, Risk and Investment Committee; \$15,000 for Nominating Committee, Remuneration Committee.

Attendance fee: \$3,000 per Board or Board Committee meeting. The attendance fee is paid to non-executive Directors to recognise their commitment and time spent in attending meetings.

Remuneration policy in respect of Executive Director and key senior management executives

The objective of the Group's remuneration policy is to attract, motivate, reward and retain quality personnel.

The Group CEO, being an executive Director of the Company, is not paid a Director's fee, but receives a remuneration package comprising a basic component and a variable performance-related component. The remuneration of the Group CEO, the respective CEOs of the Company's principal insurance subsidiaries and the key senior management executives who report directly to the Group CEO are reviewed annually by the Remuneration Committee, based on the overall remuneration framework approved by the Board.

In such annual reviews, the Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration is commensurate with individual performance and contribution. The Company has no obligations arising in the event of termination of the contracts of service for the executive Director and key management personnel. No retirement and post-employment benefits are payable for the executive Director and the key management personnel. The Remuneration Committee also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be finalised over short periods when risks are realised over long periods.

The basic component of the remuneration package comprises a monthly basic salary. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Remuneration Committee and the Board. Such components comprise a performance-based variable bonus and long term incentives, which are generally paid/awarded once a year.

In awarding long term incentives, including the grant of share options to senior executives, the Remuneration Committee also takes into account such senior executives' potential for future development and contribution to the Group.

The annual budget for salary increment, performance-related variable bonus and long term incentives, reviewed and approved by the Remuneration Committee, is submitted to the Board for endorsement and approval.

CORPORATE GOVERNANCE REPORT

As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it continues to review its compensation practices to further ensure that decisions made are conducive to sustained business performance. In its deliberations, the Remuneration Committee also takes into account the remuneration principles, practices and standards that may be specified by the MAS from time to time.

The Remuneration Committee held two meetings in 2012.

Disclosure on Directors' remuneration

The total Directors' remuneration in respect of FY2012 is shown in the table below. Non-executive Directors will be paid Directors' fees totalling \$1,905,000 in respect of FY2012, subject to shareholders' approval at the Company's AGM on 17 April 2013. In FY2011, non-executive Directors were paid Directors' fees totalling \$1,995,000.

The table below shows the remuneration of non-executive Directors and the executive Director of the Company for FY2012.

Name of Director	Total Remuneration \$'000	Salary and Fees \$'000	Bonuses ⁽¹⁾ \$'000	Long term incentives ⁽²⁾ \$'000	Benefits-in-kind ⁽³⁾ \$'000
Non-Executive Directors					
Fang Ai Lian	700	621	–	–	79
Cheong Choong Kong	180	180	–	–	–
David Conner ⁽⁴⁾⁽⁵⁾	68	68	–	–	–
Norman Ip	192	192	–	–	–
Koh Beng Seng	174	174	–	–	–
Lee Seng Wee	126	126	–	–	–
Lee Chien Shih	126	126	–	–	–
Tan Sri Dato' Dr Lin See-Yan ⁽⁶⁾	44	44	–	–	–
Tan Yam Pin	252	252	–	–	–
Samuel N Tsien ⁽⁴⁾⁽⁷⁾	122	122	–	–	–
Executive Director					
Christopher Wei	4,101	1,100	1,322	1,355	324

Notes

- (1) Represents sign-on bonus, long term incentive take-out and bonus take-out.
(2) Represents fair value of grant of share options under OCBC Scheme and award of deferred shares under OCBC Deferred Share Plan.
(3) Represents non-cash component and comprises housing, car and club benefits.
(4) The Director's fees attributable to Mr David Conner and Mr Samuel N Tsien are paid to OCBC Bank.
(5) Resigned as Director with effect from 15 April 2012.
(6) Retired as Director with effect from 18 April 2012.
(7) Appointed as Director with effect from 15 April 2012.

CORPORATE GOVERNANCE REPORT

After careful consideration, the Company has decided not to disclose information on the names and remuneration of the top five key management executives as the disadvantages to the Group'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.

None of the Directors had immediate family members who were employees of the Company and whose personal annual remuneration exceeded \$50,000 in 2012.

Share option scheme

The Company does not have any share option scheme in place. Instead, the Company's holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 (the "OCBC Scheme") to selected senior executives of the GEH Group ("GEH Optionholders") based on recommendations of GEH's Remuneration Committee. Details of options granted to GEH Optionholders are disclosed in the financial statements; and details of the OCBC Scheme are set out in OCBC Bank's Annual Report.

ACCOUNTABILITY

The Board is responsible for providing to shareholders a balanced and understandable assessment of the performance, position and prospects of the Company and the Group, including financial statements and other reports.

The Board provides to shareholders, on a quarterly basis, the financial statements of the Company and the Group for the first, second and third quarters of the year and for the full year, as applicable, together with a balanced review of the Company's performance, position and prospects. These financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET to the SGX-ST, then posted on the Company's website and also made available in press releases. The Company's Annual Report is sent to all shareholders and the contents are also accessible from the Company's website.

To keep Board members informed and updated, Management provides the Board with monthly financial updates on the performance and position of the Group. The Board is also updated on any significant events that have occurred or affected the industry during the year.

AUDIT COMMITTEE

The Audit Committee is required to comprise at least three directors, all of whom are independent from management and business relationships, and at least a majority of directors (including the Audit Committee Chairman) who are independent directors.

The Audit Committee comprises four non-executive directors, being Mr Tan Yam Pin (Chairman), Mrs Fang Ai Lian, Mr Norman Ip and Mr Law Song Keng. Mr Law Song Keng was appointed to the Audit Committee on 1 January 2013. Tan Sri Dato' Dr Lin See-Yan ceased to be an Audit Committee member on 18 April 2012. All the Audit Committee members are independent from management and business relationships and a majority, being Mr Tan Yam Pin, Mr Norman Ip and Mr Law Song Keng, are independent Directors under the CG Regulations.

Members of the Audit Committee are appropriately qualified to discharge their responsibilities. In particular, Mr Tan Yam Pin, Mrs Fang Ai Lian and Mr Norman Ip have relevant accounting and auditing experience and all the Audit Committee members have financial management knowledge and experience. The Audit Committee members keep abreast of relevant changes through regular updates from the external auditor, on changes to accounting standards and issues which have a direct impact on the financial statements. The Audit Committee carries out functions prescribed in Section 201B(5) of the Companies Act, Chapter 50, the Code, the SGX-ST Listing Manual, the CG Regulations and the MAS CG Guidelines and operates within Board-approved written terms of reference which set out the Audit Committee's authority and duties.

The Audit Committee has explicit authority to investigate any matter within its terms of reference and has the full co-operation of and access to Management. The Audit Committee has full discretion to invite any Director or senior management executive to attend its meetings. It has resources to enable it to discharge its functions properly.

The Audit Committee held four meetings in 2012, and its members' attendance at these meetings is disclosed in this Report. The Audit Committee meetings were attended by the internal and external auditors, the Group CEO and certain senior management executives, including the Group Chief Financial Officer.

CORPORATE GOVERNANCE REPORT

The functions performed by the Audit Committee and details of the Audit Committee's activities during FY2012 included the following:

1. Reviewed with the internal auditor –
 - 1.1 their audit plans, their evaluation of the system of internal controls and their audit reports;
 - 1.2 the scope and results of the internal audit procedures; and
 - 1.3 the assistance given by the officers of the Company and the Group to the auditors.
2. Reviewed with the external auditor –
 - 2.1 the audited financial statements of the Company and the Group for the financial year for submission to the Board for consideration and approval thereafter;
 - 2.2 their scope and overall audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them. Please refer to Note 8 of the Notes to the Financial Statements for details of fees payable to the auditor in respect of audit and non-audit services;
 - 2.3 the implications and impact on the financial statements of proposed implementation of new financial reporting standards and any changes in accounting policies and regulatory requirements; and
 - 2.4 any significant financial reporting issues, to ensure the integrity of the financial statements of the Company and the Group, and reviewed the draft announcement relating to the financial performance of the Company and the Group.
3. Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company and its principal subsidiaries, including internal financial, operational, compliance and information technology controls and systems established by Management.
4. Reviewed the effectiveness of the internal audit functions of the Company and its principal subsidiaries.
5. Performed the annual review of the independence of the external auditor.
6. Made recommendations to the Board on the re-appointment of the external auditor and approved the remuneration and terms of engagement of the external auditor.

The Audit Committee undertook a review of all non-audit services provided by the external auditor to the Company for FY2012, and confirmed that the provision of such non-audit services would not, in its opinion, affect the independence of the external auditor. Taking into account the aforesaid and other factors such as the size and complexity of the Group and the adequacy of resources and experience of the external auditor, Messrs Ernst & Young LLP, the Audit Committee has nominated the re-appointment of Messrs Ernst & Young LLP at the forthcoming AGM. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual.

The Group has also instituted a whistle-blowing policy whereby staff of the Group may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

The Audit Committee, in performing its functions, met at least annually in 2012 with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately. The auditors, both internal and external, have unrestricted access to the Audit Committee.

INTERNAL CONTROLS

The Board has received assurance from the Group CEO and the Group Chief Financial Officer on the effectiveness of the Company's risk management and internal control systems, and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

CORPORATE GOVERNANCE REPORT

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the Audit Committee and the Risk and Investment Committee, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, were adequate as at 31 December 2012 to address the risks which the Group considers relevant and material to its operations.

The system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

INTERNAL AUDIT

The internal audit function ("Group Audit") serves to provide the Board and Management with an independent appraisal of the reliability, adequacy and effectiveness of the internal controls established by Management, to ensure that transactions are promptly and accurately recorded and that the Group's assets are safeguarded. Group Audit resides in-house and is independent of the activities it audits. Its terms of reference are approved by the Audit Committee. The Head of Group Audit reports primarily to the Chairman of the Audit Committee and administratively to the Group CEO. His annual remuneration, appointment and removal is approved by the Audit Committee.

Group Audit is staffed by executives with the relevant qualifications and experience, and the Audit Committee ensures that Group Audit is adequately resourced. Group Audit has unfettered access to the Board, the Audit Committee and senior management, where necessary, and has the right to seek information and explanations. Group Audit meets or exceeds the Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.

During the year, Group Audit Department carried out audits on selected significant business units in the Group, including an audit review of the IT systems. Group Audit's summary of major findings and recommendations and Management's related responses were discussed at the Audit Committee meetings. The Audit Committee ensures that procedures are in place to follow up on the recommendations by Group Audit in a timely manner and to closely monitor any outstanding issues. The Audit Committee also reviews annually the adequacy and effectiveness of the internal audit function.

RISK AND INVESTMENT COMMITTEE AND RISK MANAGEMENT

The Risk and Investment Committee is required to comprise at least three Directors, a majority of whom (including the chairman of the Risk and Investment Committee) are non-executive Directors. The MAS CG Guidelines further stipulate that the members of this committee should be appropriately qualified to discharge their duties, with at least two having the relevant technical financial sophistication in risk disciplines or business experiences.

The Risk and Investment Committee comprises six Directors. They are Mrs Fang Ai Lian (Chairman), Mr Norman Ip, Mr Koh Beng Seng, Mr Law Song Keng, Mr Samuel N Tsien and Mr Christopher Wei. Except for the Group CEO, Mr Christopher Wei, the other five members are all non-executive Directors and all members have the relevant technical financial sophistication in risk disciplines or business experience to enable them to discharge their duties effectively. Mr Samuel N Tsien and Mr Law Song Keng were appointed to the Risk and Investment Committee on 15 April 2012 and 1 January 2013 respectively. Mr David Conner ceased to be a member of the Risk and Investment Committee on 15 April 2012.

The Risk and Investment Committee is responsible for the oversight of market, credit, liquidity, insurance, operational, regulatory, compliance and any other category of risks as may be delegated by the Board or as deemed necessary by the Company. It reviews the overall risk management philosophy, being the risk profile, risk tolerance level and risk and capital management strategy, guided by the overall corporate strategy and risk appetite as approved by the Board. The Risk and Investment Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company and its principal subsidiaries.

CORPORATE GOVERNANCE REPORT

The Risk and Investment Committee performs its functions pursuant to its Board-approved terms of reference. Such terms of reference include the overview and periodic review of policies on asset-liability and investment management, overview on enterprise risk management, major risk management initiatives and approval of significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees that the Risk and Investment Committee oversees – the Group Management Team and Group Asset-Liability Committee. Investment-related activities and transactions of material consequence are reviewed and approved by the Risk and Investment Committee and reported to the Board for information or for endorsement or approval, as applicable.

The Risk and Investment Committee endorses the appointment and annual appraisal of the Head, Group Risk Management, who reports directly to the Risk and Investment Committee and the Group CEO. The Head, Group Risk Management is responsible for managing the Group's risk management systems and establishing processes to identify, measure, monitor, control and report risks. The Group Risk Management Department has adequate resources and is staffed by experienced and qualified employees who are sufficiently independent to perform their duties objectively. The Group Risk Department regularly engages senior management to develop enterprise-wide risk controls and risk mitigation procedures.

The Risk and Investment Committee held a total of six meetings in 2012.

The Group's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 35 to the financial statements.

EXECUTIVE COMMITTEE

The Executive Committee is required to comprise at least one-third of directors who are independent directors and at least a majority who are independent from management and business relationships.

The Executive Committee comprises Mrs Fang Ai Lian (Chairman), Dr Cheong Choong Kong and Mr Tan Yam Pin. All the members of the Executive Committee are independent from management and business relationships and Mr Tan Yam Pin is considered an independent Director under the CG Regulations. Mr David Conner ceased to be a member of the Executive Committee on 15 April 2012 and Mr Christopher Wei stepped down as a member on 20 June 2012.

The Executive Committee carries out the functions set out in its Board-approved terms of reference. Such functions consist principally of overseeing the management of the business and affairs of the Company and the Group within the parameters and scope of authority delegated by the Board and include the review of the Group's policies, strategies, objectives and performance targets, proposed transactions or initiatives of a material nature and any major proposed investment or divestment. The Executive Committee does not take on the functions of Management. Major decisions of the Executive Committee are submitted to the Board for endorsement and approval.

The Executive Committee held a total of eight meetings (including two ad hoc meetings) in 2012.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises that regular, effective, timely and fair communication with shareholders is essential to enable its shareholders to make informed decisions about the Company. The Company announces quarterly and full year results within the time frame prescribed in the Listing Manual of the SGX-ST. All pertinent material and price-sensitive information is disclosed promptly via SGXNET and no unpublished price-sensitive information is disclosed on a selective basis.

The Company's Annual Report containing the financial statements of the Company and the Group for the financial year also contains other pertinent information and disclosures including a review of the annual operations and activities, to enable shareholders and investors to have a better understanding of the Group's business and performance.

Shareholders and the public can access the website of the Company for media releases, financial results, annual reports and other corporate information on the Company. The Company has investor relations personnel who communicate with the Company's investors and attend to their queries on published information.

All registered shareholders of the Company receive the Company's Annual Report containing the notice of AGM, within the statutory timeline before the AGM. The Notice of AGM is also announced via SGXNET and published in the press. At the AGM, shareholders are encouraged to raise any questions on the Company's financial statements or on the resolutions to be passed at the AGM. Shareholders may vote in person at the Company's AGM or at any extraordinary general meeting ("EGM") or by proxy if they are unable to attend. The Company's Articles of Association provide that shareholders may appoint one or two proxies to attend the Company's AGM and/or EGM and to vote in their stead. To ensure authenticity of shareholder identity and other related security issues, the Company currently does not allow voting in absentia by mail, email or fax.

CORPORATE GOVERNANCE REPORT

For the Company's AGM, separate resolutions are set out on distinct issues, such as the proposed re-appointment or re-election of Directors, proposed Directors' fees and recommendation of final dividend. For the Company's EGM, the proposed corporate action or transaction, as applicable, and the rationale and other pertinent details for such proposal are set out in a separate circular to shareholders, with the proposed resolution set out for approval by shareholders at the EGM. The Company does not "bundle" resolutions, unless the resolutions are interdependent and linked so as to form one significant proposal.

At the Company's AGM, the Board members, the chairpersons of all Board Committees, Management and the Company's professional advisors, where necessary, are present and available to address queries from shareholders. The external auditor is also present to address any shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

The Company Secretary prepares minutes of general meetings that include responses from the Board and Management to the relevant comments or queries from shareholders. The minutes are available to shareholders upon their request.

DEALINGS IN SECURITIES

The Company has adopted internal codes and policy on dealings in securities in the Company in line with the relevant rule set out in the Listing Manual of SGX-ST. The Directors and executives of the Company and of the Group are advised, and periodically reminded, not to deal in the Company's shares for the period commencing one month before the Company's announcement of financial results for the year (and ending on the date of the announcement of the results), and for the period of two weeks before the announcement of the Company's quarterly results during the financial year ("black-out period"). The Company will notify Directors and employees of the commencement date for each black-out period. The Company also has a policy against insider trading. Employees are regularly reminded not to deal in securities of the Company and/or other listed companies at all times if they are privy to unpublished material price sensitive information and not to deal in the securities of the Company on short-term considerations. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all personal securities transactions through OCBC Bank's stockbroking subsidiary.

RELATED PARTY TRANSACTIONS

The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The Company also complies with the SGX-ST Listing Manual on interested person transactions. The Audit Committee reviews and keeps the Board informed of material related party and interested person transactions.

CODE OF CONDUCT

The Directors and Management are committed to promoting and maintaining values which emphasize integrity, honesty and proper conduct at all times in the business operations and dealings of the Group. The Company has adopted a Code of Conduct which sets out the guiding principles and minimum standards expected of its employees such as the highest standards of ethical conduct and professional integrity. The Code also provides guidance on areas such as responsible stewardship of the Company's resources, the Company's position against fraudulent conduct, conflicts of interests and the appropriate disclosures to be made, and maintaining confidentiality of information. The Code of Conduct is available on the Company's staff intranet.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION REQUIRED UNDER THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

1. INTERESTED PERSON TRANSACTIONS

Interested person transactions ("IPT") (excluding transactions of less than \$100,000 each) carried out during the financial year under review:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of Listing Manual (excluding transactions less than \$100,000)
	\$ million	\$ million
e2Power Pte Ltd - Data centre facilities, technical infrastructure services, database administration, network facilities and infrastructure support	12.963	NA
e2Power Sdn Bhd - Data centre facilities, technical infrastructure services and network facilities	2.158	NA
OCBC Bank (Malaysia) Bhd – Sales commission and management fee to Institutional Unit Trust Adviser	0.252	NA
OCBC Capital (Malaysia) Sdn Bhd – Acquisition of 3,500,000 ordinary shares of RM 1.00 in Pacific Mutual Fund Bhd ("PMFB"), representing 70% of the share capital of PMFB	9.282	NA
Pacific Mutual Fund Bhd - Fund management and custodian fee	0.155	NA

2. OTHER INFORMATION

Since the end of the previous financial year, the Company and its subsidiary companies did not enter into any material contract involving interests of Directors or the controlling shareholder and no such contract subsists as at 31 December 2012, save as disclosed in the Directors' Report and in the financial statements for FY2012.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Fang Ai Lian (Mrs), Chairman
Christopher Wei, Group CEO
Cheong Choong Kong
Norman Ip
Koh Beng Seng
Law Song Keng
Lee Seng Wee
Lee Chien Shih
Tan Yam Pin
Samuel N Tsien

NOMINATING COMMITTEE

Fang Ai Lian (Mrs), Chairman
Cheong Choong Kong
Lee Seng Wee
Tan Yam Pin

EXECUTIVE COMMITTEE

Fang Ai Lian (Mrs), Chairman
Cheong Choong Kong
Tan Yam Pin

AUDIT COMMITTEE

Tan Yam Pin, Chairman
Fang Ai Lian (Mrs)
Norman Ip
Law Song Keng

REMUNERATION COMMITTEE

Fang Ai Lian (Mrs), Chairman
Koh Beng Seng
Lee Chien Shih

RISK & INVESTMENT COMMITTEE

Fang Ai Lian (Mrs), Chairman
Norman Ip
Koh Beng Seng
Law Song Keng
Samuel N Tsien
Christopher Wei

GROUP COMPANY SECRETARY

Jennifer Wong Pakshong

REGISTERED OFFICE

1 Pickering Street #16-01
Great Eastern Centre
Singapore 048659
Telephone: +65 6248 2000
Facsimile: +65 6438 3889
Website: greateasternlife.com
Email: wecare-sg@greateasternlife.com

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road #05-01
Singapore 068902
Telephone: +65 6227 6660

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In Charge:
Shekaran Krishnan
(since financial year 2008)

FINANCIAL HIGHLIGHTS

Financial year ended 31 December		2012	2011	2010	2009	2008
GROUP STATISTICS						
Gross Premiums	(S\$millions)	6,614.5	6,430.7	6,155.8	5,833.6	7,029.7
Profit Attributable to Shareholders ⁽¹⁾	(S\$millions)	1,189.1	385.7	507.2	516.7	272.4
Total Assets	(S\$millions)	59,701.0	55,602.6	53,373.0	48,531.2	44,155.2
Shareholders' Fund	(S\$millions)	4,797.0	3,912.3	4,024.0	3,566.3	3,011.2
Stock Exchange Prices ⁽²⁾	(S\$)	15.66	12.60	15.62	13.54	9.06
Market Capitalisation ⁽²⁾	(S\$millions)	7,412.2	5,963.8	7,393.2	6,408.7	4,288.3
Embedded Value	(S\$millions)	8,604.8	7,465.3	7,074.9	6,232.1	5,788.0
Economic Value of One Year's New Business	(S\$millions)	352.7	364.8	304.9	234.6	264.1
GROUP FINANCIAL RATIOS						
Return on Equity ⁽³⁾		27.3%	9.7%	13.4%	15.7%	8.7%
Gross Premium Growth		2.9%	4.5%	5.5%	-17.0%	17.2%
Basic Earnings per share ⁽⁴⁾	(S\$)	2.51	0.81	1.07	1.09	0.58
Diluted Earnings per share	(S\$)	2.51	0.81	1.07	1.09	0.58
Net Asset Value per share	(S\$)	10.13	8.27	8.50	7.53	6.36
Embedded Value per share	(S\$)	18.180	15.772	14.947	13.167	12.229
Economic Value of One Year's New Business per share	(S\$)	0.745	0.771	0.644	0.496	0.558
Gross Dividend per share paid during the year	(cents)	37.0	10.0	45.0	21.0	52.0

⁽¹⁾ Profit Attributable to Shareholders is derived after accounting for income tax and exceptional items.

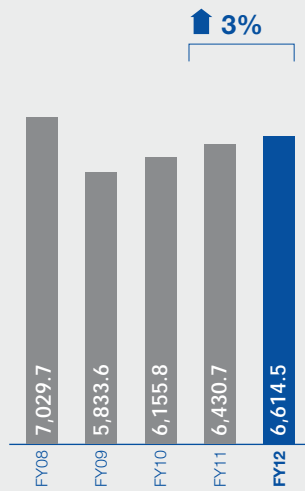
⁽²⁾ The Stock Exchange Prices and Market Capitalisation were obtained from Bloomberg.

⁽³⁾ The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund has been used in the computation of Return on Equity.

⁽⁴⁾ The Basic Earnings per share were based on the Group's Profit Attributable to Shareholders divided by total paid-up shares.

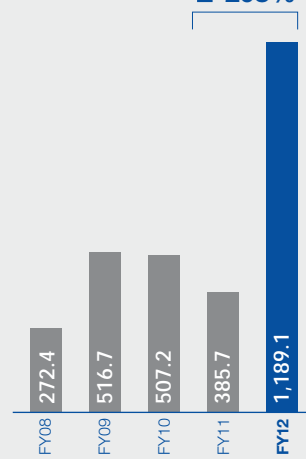
Gross premiums

S\$ millions



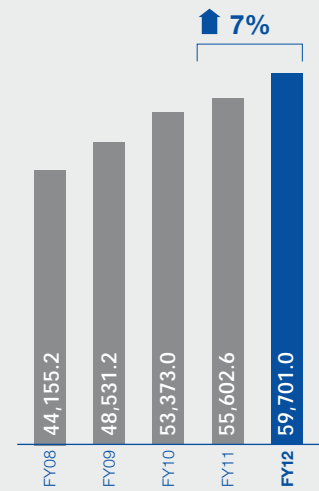
Profit attributable to shareholders

S\$ millions



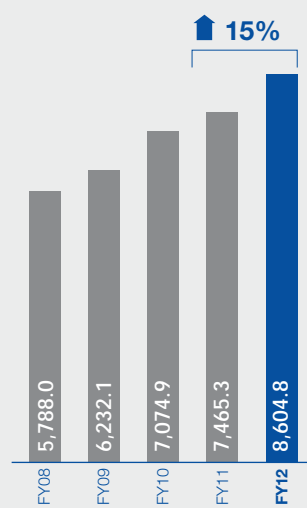
Total assets

S\$ millions



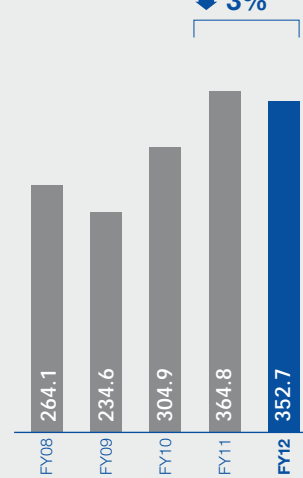
Embedded value

S\$ millions



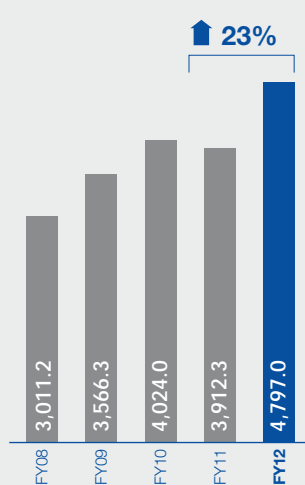
Economic value of one year's new business

S\$ millions



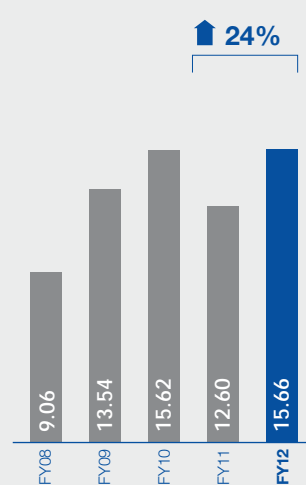
Shareholders' fund

S\$ millions



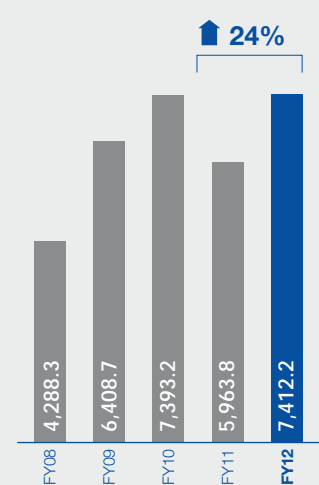
Stock exchange prices

S\$



Market capitalisation

S\$ millions



EMBEDDED VALUE

An actuarial embedded value is a commonly used technique to estimate the economic value of the existing business of a life insurance company. Looking at a company's distributable profits for a year, or even a few years, is not a reliable guide to its long-term economic value. This is because the timing of distributable profits arising from a policy, even for a profitable business, may result in losses in the first policy year even though there may be profits in later years that will make the policy profitable overall. The loss in the first year is due to the initial expenses of writing new business, combined with the need to meet capital requirements. As a result, in any one year, high growth of business may tend to lower distributable profits. Embedded values have therefore been developed as a way to estimate the long-term economic value of a life insurance company for the existing blocks of business.

The embedded value of Great Eastern Holdings Limited ("the Group") has been determined using the traditional deterministic cash flow methodology that has been adopted historically for embedded value reporting, and comprises the sum of the value of In-Force Business and the value of the adjusted Shareholders' Funds.

VALUE OF IN-FORCE BUSINESS

This represents an estimate of the economic value of projected distributable profits to shareholders, i.e. after-tax cash flows less increases in statutory reserves and capital requirements attributable to shareholders, from the In-Force Business at the valuation date, i.e. 31 December 2012. The cash flows represent a deterministic projection, using best estimate assumptions as to future operating experience and are discounted at a risk-adjusted discount rate. The use of a risk-adjusted discount rate, together with an allowance for the cost of holding statutory reserves and

meeting capital requirements represents the allowance for risk in the value of In-Force Business together with an implicit allowance for the cost of options and guarantees provided to policyholders. It should be noted that this allowance for risk is approximate and may not correspond precisely with the allowance determined using capital market consistent techniques.

In projecting the value of In-Force Business, the statutory reserve valuation bases and capital requirements are based on the Risk Based Capital framework and minimum Capital Adequacy Requirement bases required by local regulations for Singapore and Malaysia.

In Singapore, the Group's asset management company Lion Global Investors Ltd ("LGI") manages a proportion of the Singapore Life Funds' assets for which fees are payable from each Fund. In line with generally accepted traditional embedded valuation methodologies in respect of services provided by asset management companies, the present value of benefits arising from the fees paid to LGI is included in the embedded value and new business value of the Group for the year ended 31 December 2012.

ADJUSTED SHAREHOLDERS' FUND

This represents the value of the Shareholders' Funds from the various entities of the Group that can be distributed to shareholders, after allowing for tax. These are the amounts over and above the assets required to meet statutory reserves and other liabilities. Included in this are surpluses from the non-life funds.

ASSUMPTIONS USED

The assumptions adopted for the calculations have been determined taking into account the recent experience of, and expected future outlook for, the life

insurance business of the companies involved, i.e. The Great Eastern Life Assurance Company Limited ("GEL") and The Overseas Assurance Corporation Limited ("OAC") in Singapore and Great Eastern Life Assurance (Malaysia) Berhad ("GELM") in Malaysia.

Investment returns assumed are based on the long term strategic asset mix and their expected future returns. For both GEL and OAC, the returns assumed, after investment expenses, are 5.1%, 4.0% and 6.0% for participating fund, non-participating fund and linked fund respectively. For GELM, the returns assumed, after investment expenses, are 6.0%, 5.0% and 7.0% for participating fund, non-participating fund and linked fund respectively. The risk-adjusted discount rate used is 8.0% for Singapore and 9.5% for Malaysia.

EMBEDDED VALUE CALCULATION

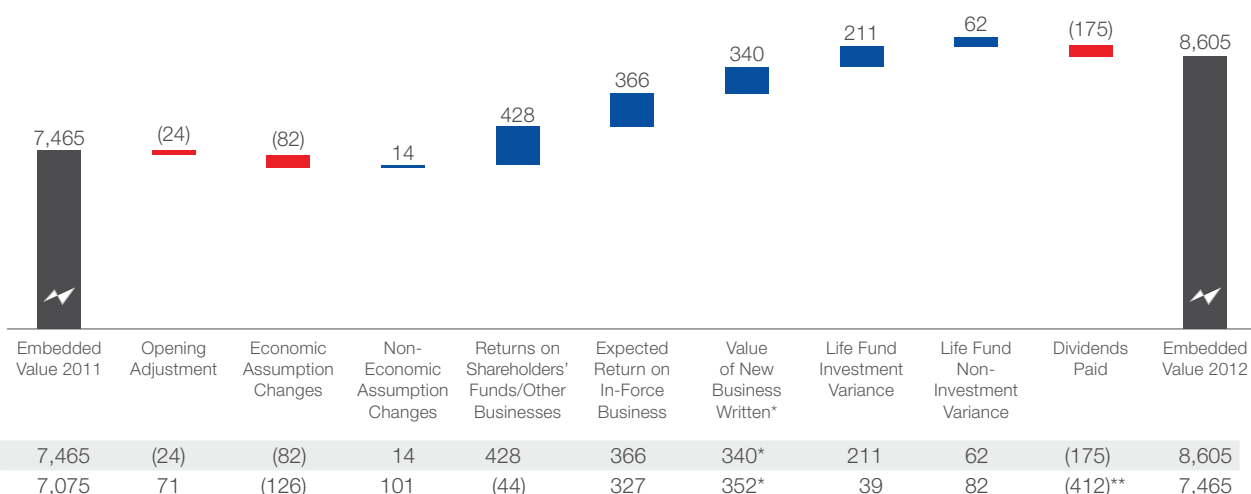
The value of In-Force Business has been calculated for the life insurance business of GEL and OAC in Singapore and GELM in Malaysia, along with the adjusted Shareholders' Funds for the Group. The results of the calculations as at 31 December 2012 are shown in Table 1.

ECONOMIC VALUE OF ONE YEAR'S NEW BUSINESS

The economic value of one year's new business, defined as the value of projected shareholder distributable profits from new business sold in the year, is used to determine the estimated value of future distributable profits from new sales. Using the same best estimate, reserving and capital requirement assumptions as those used for the In-Force Business, the economic value of business written for the year ended 31 December 2012 has been calculated as shown in Table 2.

ANALYSIS OF CHANGE IN EMBEDDED VALUE (\$ MILLIONS)

The chart shows various components accounting for the change in embedded value from the start to the end of the year. The table below the chart provides comparison of the individual components against 2011 analysis results.



* Excludes values of new business from GETSB and the Group's other regional operations in Brunei, China, Indonesia and Vietnam.

** Includes capital reduction and cash distribution to shareholders of S\$365million carried out in April 2011.

INDEPENDENT REVIEW

The embedded value, the value of one year's new business and the analysis of change in embedded value during the year were determined by the Group. Ernst & Young performed a review of the methodology used (based on the traditional deterministic embedded value reporting approach), the assumptions adopted, and performed a high level review of the results of the Group's calculations.

SCENARIO TESTING

In addition, some scenario tests were conducted using different interest and discount rates. The results are summarised in Table 3.

Table 1:

Embedded Value (\$ million)	Singapore	Malaysia	Total
Life Businesses			
Value of In-Force Business	2,583	1,828	4,411
Shareholders' Funds and Non-Life Businesses	3,800*	394 [^]	4,194
Adjusted Shareholders' Funds			
Total Embedded Value	6,383	2,222	8,605

* Includes businesses in Brunei, China, Hong Kong, Indonesia, Sri Lanka and Vietnam

[^] Includes Great Eastern Takaful Sdn Bhd (GETSB)

Table 2:

Values (\$ million)	Singapore	Malaysia*	OtherAsia** and GETSB	Total
Economic Value of One Year's New Business	209	131	13	353

* Excludes GETSB

** Includes Group's regional operations in Brunei, China, Indonesia and Vietnam

Table 3:

Values (\$ million)	Base Scenario	Investment +0.50% Discount Rate +1%	Investment -0.50% Discount Rate -1%
Total Embedded Value	8,605	8,493	8,706
Economic Value of One Year's New Business	353	336	369



1



2



3



4



5

BUSINESS REVIEW SINGAPORE

Our Singapore operations, comprising Great Eastern Life Assurance Co Ltd (GELS) and Overseas Assurance Corporation Ltd (OAC), continued to register good results. Collectively, these businesses registered S\$501.7 million in total weighted new business premiums (TWP), a 9% increase over 2011.

TWP from our bancassurance channel saw a double digit growth and this enabled us to further fortify our position at the top for a record 12th year.

The robust results were driven by the strong sale of regular premium products across all channels. Our regular premium business, including accident and health products, grew 20% compared to the year before. Our General Insurance business grew by 11% to S\$95.8 million. New business embedded value for the year was S\$208.4 million, a marginal decline of 1%. This was as a result of a shift in channel and product mix.

We capitalised on the strength of the Great Eastern brand and the Group's compelling initiatives, chiefly the refreshed brand ambition to be a LIFE company and the Live Great Programme, to further drive customer engagement.

Our product strategy which focused on innovative propositions that centred around customer needs proved successful and contributed positively to our business targets.

The introduction of Six Sigma further strengthened our work processes which enabled us to deliver a consistently high level of service to our customers. Resources were also invested to strengthen our data analytics capability.

On the governance front, we stepped up on IT security, market conduct compliance and audit compliance. Work groups were set up to comprehensively address the Personal Data Protection Act, Do-Not-Call Registry as well as recommendations by the Financial Advisory Industry Review panel.

INNOVATIVE PRODUCT OFFERINGS

Supreme Protect was a winning product. We were the first in Singapore to introduce a plan which allows customers to increase their insurance coverage with no medical underwriting, including for critical illness, at key stages of their life based on their changing needs. It is also the first plan in Singapore to offer Total and Permanent Disability coverage beyond age 65, for whole of life.

Leveraging our synergy with OCBC Bank, we jointly launched *Mortgage Protector Advantage*, underwritten by OAC. We were the first to offer such a mortgage insurance plan with a premium refund feature. Customers pay annual premiums and if no claims are made at the end of the policy term, their premiums are refunded.

Significant enhancements were also made to popular products such as *Supreme Term*, *SupremeShield* and the entire suite of Personal Accident plans to provide more benefits and comprehensive protection to policyholders.

STRENGTHENING DISTRIBUTION CAPABILITIES

We capitalised on the combined strength of our three successful distribution channels to maintain our market leadership position.

Our revitalised state-of-the-art Centre for Excellence is the embodiment of our commitment to professionalism. The centre provides comprehensive training programmes for all levels of our 3,000-strong distribution representatives, from new recruits to leaders.

During the year, Great Eastern Financial Advisers (GEFA), our financial advisory firm, welcomed on board new partners.

With these partnerships, GEFA customers enjoy access to a wider scope of services, including will-writing, trust management and estate planning services and a wider range of non-life insurance products.

On bancassurance, another first and key differentiator was the launch of AssureBanking where we partnered OCBC Bank to offer Home Loans to customers by our distribution representatives. As part of our efforts to be the insurer of choice for High Net Worth customers, we collaborated with OCBC Bank to revamp our processes which resulted in improved turnaround times.

BREAKTHROUGHS IN GENERAL AND GROUP INSURANCE

Our general insurance business with OCBC Bank saw good growth, spurred by the introduction of Biz Protect Plus, a comprehensive package for small and medium enterprises against fire, theft, work injury compensation, public liability and money-in-transit.

We also introduced *PI Supreme*, a Professional Indemnity insurance which not only covers the traditional professionals but also other professionals, from property managers to IT consultants to travel operators, against third-party claims.

We leveraged on data analytics to offer our customers products at competitive prices to suit their needs. *Travel Wise*, our travel insurance product developed for OCBC Bank customers, saw good take-up and registered a 60% increase from the previous year.

We will continue to shore up our online marketing capabilities to make it more convenient and accessible for our customers to purchase our products through our web portals.

Under Group Insurance, our Enhanced Employees Benefits Plus Scheme targeted at small and medium enterprises saw good demand. With the launch of GroupAsia, our enhanced IT system, we were able to better integrate our multi-sales channels. This boosted operational efficiency and provided greater insights into our corporate clientele requirements.

RAMPING UP CUSTOMER ENGAGEMENT

Throughout 2012, we rolled out initiatives to drive customer engagement in conjunction with Live Great. Deliberate efforts were made to actively engage the 15,000 women who signed up for our signature Great Eastern Women's Run, the largest all-women race in the

1. Live Great offers invaluable opportunities to reach out to new customers and re-engage existing ones.
2. The Great Eastern Women's Run was a major initiative under Live Great and attracted 15,000 participants.
3. The GEvolution Awards championed innovation at the workplace.
4. *Supreme Protect* – a revolutionary first.
5. Reaching for greater heights.

region, through electronic direct mailers, Facebook as well as fringe activities centred on healthy living. For the first time, the race also featured elite runners from Asia-Pacific, including Australia, China, Japan, Indonesia, Malaysia, Taiwan and Singapore.

Another major initiative under Live Great was our sponsorship of the S.League. Our Let's Go Sporty! School Outreach Programme further promoted the message of healthy living through sports to over 10,000 students from 14 primary schools.

Our Great Eastern Health & You exhibition, LOHAS Mega Health Seminar and Live Great Mass Workout events reached out to over 100,000, while our Live Great Card, which gives access to health and wellness privileges in Singapore and the region, also proved popular.

We continued to leverage online and digital media as part of our customer engagement strategy. Customers could use our online tools for a simple health risk assessment and also download Great Eastern's 21 Days mobile app to help them create a new good habit and track their progress.



BUSINESS REVIEW MALAYSIA



1. The Live Great Card rewards customers for living healthier, better and longer.
2. Stretching to a national record.
3. The model branch in Ipoh opened to much fanfare.
4. Living great, running great.
5. GETSB clinched the Best New Islamic Institution Award.

The Group's life assurance operations in Malaysia continued to register good results for the year. Total weighted new business from Great Eastern Life Assurance (Malaysia) Berhad (GELM) and Great Eastern Takaful Sdn Bhd (GETSB) increased to RM758.1 million (S\$303.0 million) compared with RM736.9 million (S\$301.7 million).

The robust performance was driven by good underwriting profits from business growth coupled with a reduction in claims for conventional business. Our deliberate strategy to focus on regular premium investment-linked products also bore fruit and we saw good take-up throughout the year across both our conventional and Takaful operations.

Our bancassurance tie-up with OCBC Bank also reaped good rewards while our Takaful business similarly saw double digit growth with a strong demand for its Shariah-compliant products.

LEVERAGING OUR BRAND AND LIVE GREAT

As the market leader in Malaysia, we continued to set the pace for the industry and took customer-centricity to a new high.

We fully embraced the Group's refreshed brand ambition to be a LIFE company and its game-changing Live Great Programme. During the year, we rolled out a slew of initiatives as we strove to make life great for our customers by helping them to live healthier, better and longer.

Our Live Great events centred on health and wellness and resonated strongly with our customers. Our Yoga for Life event attracted 2,220 participants and earned us an entry into the Malaysia Book of Records for the largest participation in a Yoga session. The event also garnered a Silver Award for Best Consistency in Branding by Marketing Events 2012, an award that recognises and honours the best event marketing in Asia. Close to 5,000 runners participated in our inaugural Live Great Run in the city while the Great Eastern-The Star Health Fair and our series of health and wellness tea talks also received good response.

We ramped up our Customer Relationship Marketing campaigns and during the year, reached out to over 900,000 customers with our marketing and product collaterals.

As part of our efforts to support our agency force and to enable them to engage their

customers more effectively, we enhanced our StarBuddy online marketing platform with the launch of StarBuddy Insights mobile application for iPad and iPhone.

SEIZING BUSINESS OPPORTUNITIES

We leveraged our 17,000-strong force, the largest in the country, to broaden and deepen our penetration, particularly to young adults and the affluent.

We were the first insurer in Malaysia to respond to the Government's initiatives to strengthen the pension market and retirement fund with our *Great Retirement Plan*, an annuity product that qualifies for the new tax relief incentive of RM3,000.

To meet increasing demands for plans that address the rising costs of medical care, we improved our medical riders and introduced a new rider, *Smart Medic Enhancer*.

BUILDING OUR DISTRIBUTION CAPABILITIES

Our recruitment strategy continued to focus on attracting talent to further boost the professionalism and productivity of our agency force.

Initiatives such as the Master Builder Award (MBA) and Great Entrepreneur Talent Search (GETS) Leadership Award helped to grow the talent pool by 5% while schemes like Let's Get Started, Rookie Super Value and Master Sales Award helped to boost overall productivity.

Nationwide, some 12,000 agents benefited from our TarGETS (Towards active recruitment and Great Entrepreneur Talent Search) training programme.

On the bancassurance front, we worked with OCBC Bank to launch an e-Submission solution which reduced processing time for regular premium products. We also introduced *MaxRetire*, a retirement savings plan, which added to the range of products and solutions for the bank's mass and mass affluent customers.

Our Group Insurance business experienced a slight decrease while our General Insurance arm, Overseas Assurance Corporation (Malaysia) Berhad (OACM) performed creditably. OACM's gross written premium grew by 13% to RM372 million (S\$155 million).

GROWING OUR TAKAFUL OPERATIONS

GETSB, our Takaful subsidiary, made steady progress. In 2012, GETSB strengthened its distribution network with the establishment of Great Eastern Own Agency (GOA). With this, our Takaful products are now distributed by some 5,000 GELM agents and over 250 GOA agents.

Our bancatafakul partnership with OCBC Al-Amin was further strengthened with the launch of the *Entrepreneur Takaful Plan*, which is tied to the business financing arrangement offered by the bank.

During the year, GETSB also established ties with the Malaysia Building Society Berhad to distribute our *Mortgage Reducing Term Takaful* nationwide.

We also broadened our portfolio by collaborating with Koperasi Angkatan Tentera Malaysia Berhad in managing its Group Takaful scheme for more than 130,000 members. This includes products for Group Term Takaful, Group Critical Illness and Group Personal Accident.

GETSB also expanded geographically with the establishment of Great Eastern

Takaful Agency Synergy Station (GASS). Its first agency office in Kota Bharu in Kelantan was followed by others in Butterworth in Pulau Pinang and Wangsa Maju in Kuala Lumpur. GASS is used by agents for their daily businesses as well as for training and recruitment.

AWARDS AND RECOGNITION

In Malaysia, the Great Eastern name continues to stand tall.

For a record ninth consecutive year, GELM was bestowed the Gold Trusted Brand Award by Reader's Digest. We were also rated Malaysia's 100 Leading Graduate Employer for 2012 for the fourth consecutive year and recognised by Frost & Sullivan for being the Private Health Insurance Provider of the Year.

For the second year running, GETSB bagged the prize for Best New Islamic Institution at the Islamic Business & Finance Awards in Dubai.



BUSINESS REVIEW

EMERGING MARKETS

In our emerging markets, we continued to face strong competition and tightened regulations. We remain optimistic on the growth potential. These markets have a large population base which are still grossly under-insured and with rising affluence, there will be significant opportunities to deepen our penetration.

In 2012, total weighted new business premiums from emerging markets was S\$32.0 million compared with S\$36.0 million in 2011. We strengthened our leadership teams and further developed our distribution capabilities across Indonesia, Vietnam and Brunei. For Indonesia in particular, we saw encouraging bancassurance sales as we strengthened our collaboration with Bank OCBC NISP. In China, we strategically repositioned our business. We remain optimistic that these efforts will enable us to better capitalise on the opportunities present in our emerging markets.

INDONESIA

Our Indonesian subsidiary, PT Great Eastern Life Indonesia (GELI), made good progress as it strove to be the most trusted and admired insurance company for the

affluent and emerging affluent segments. Our bancassurance business saw good growth. We leveraged Bank OCBC NISP synergies to reach out to affluent and emerging affluent customers. We launched *MaxPrestige Heritage*, the first-of-its-kind universal life plan to be marketed through the bancassurance channel in Indonesia. The legacy-type plan is targeted at the bank's premier customers and covers heritage planning and wealth preservation. We also rolled out health products such as *MaxHealth*, a term life policy which offers hospital cash and protection to the insured up to 80 years old, and *MaxPrestige Care*, which provides coverage for medical expenses incurred at pre-approved hospitals in Singapore and Malaysia.

On the agency front, we restructured the channel to focus on building a full-time professional force. Great Entrepreneur Talent Search (GETS) Programmes were conducted in Jakarta and Medan to build the talent pool and attract quality recruits. To enhance professionalism, we introduced a new professional advisory model as well as organised training seminars and forums to boost product knowledge and financial planning and selling skills.

GELI introduced a new business line – Group Insurance – during the year. This got off to a good start with our appointment by Bank OCBC NISP to provide coverage for over 14,000 bank employees and their dependants throughout Indonesia. We successfully combined insurance with benefits from our Live Great Card for the winning proposition. With the expected growth in Indonesia's economy, we are well-placed to further grow our Group Insurance business.

To offer more choices to our customers, we launched two new US dollar-based investment-linked funds – *Greatlink Prime Investpro USD* and *Greatlink Flexipro USD*.

In alignment with the Group's refreshed purpose to be a LIFE company, we ramped up efforts on brand-building and customer engagement in that direction. Our Live Great Programme proved a key differentiator in Indonesia's highly competitive insurance landscape. Our sponsorship with Cengkareng Golf Club provided good exposure for our brand as well as opportunities to engage the club's large and affluent membership.

We enhanced our digital capabilities and harnessed Facebook and Twitter to better connect with our customers and the public. GELI's GreatLink Fund clinched an award from Infobank magazine for chalking up the most number of mentions on social media, including Facebook, Twitter and online news sites.

VIETNAM

Our subsidiary in Vietnam, Great Eastern Life Vietnam Co Ltd (GELV), continued to progress steadily.

We focused on building a quality sales force. Our agency numbers increased as we continued efforts to recruit high productivity agents, with our agency force ranking as one of the most productive in the industry.

To further support our operations in Vietnam and to better serve our customers there, we increased our charter capital by 13.3% to S\$55.6 million. We also diversified our investment portfolio to include best-yield government bonds.

Our customer strategy centred on addressing the needs of the affluent

and emerging affluent segments, in particular parents with children. With *Excellent Education Plan*, parents can enjoy protection and save for their children's education. As part of our focus on health and wellness, we also launched *Healthcare 360*, the first comprehensive medical plan among life insurers in Vietnam.

For the third consecutive year, we garnered the Golden Dragon Award from the Economic Times newspaper and the Ministry of Planning & Investment in Hanoi for outstanding business performance and significant contributions to the community.

CHINA

As part of our strategy to reposition our China business, we entered into a conditional sale and purchase agreement with Chongqing City Construction Investment (Group) Co., Ltd. to sell 25% of our equity interest in Great Eastern Life Assurance (China) Company, Ltd (GELC) for a total sum of RMB303 million (S\$59.2 million). GELC is a 50-50 joint venture between Great Eastern and Chongqing Land Properties Group in China set up in 2006.

This will pave the way for future expansion of branch networks through further localisation. We will leverage the experience and brand of Chongqing City Construction Investment (Group) Co., Ltd., a leading state-owned enterprise in Chongqing, to penetrate the local market and better serve our customers.

Operations-wide, GELC opened a Luzhou Centre sub-branch in Sichuan Province and a fourth provincial branch in Wuhan in Hubei Province.

BRUNEI

In Brunei, we geared up efforts to build a quality agency force through disciplined recruitment and continued our regular premium product strategy.

To increase awareness and promote the importance of life insurance, presentations and talks on financial planning were held for university students and employees of private sector companies.

1. Good teamwork contributed to GELV's steady progress.
2. Hand-in-hand, the GELI team ramped up efforts to enhance the brand and customer engagement.
3. A key focus for our operations in Indonesia was to build a full-time professional agency force.
4. *Healthcare 360* was the first comprehensive medical plan among life insurers in Vietnam.
5. Going for More in GELB.

ONLY A LIFE LIVED
FOR OTHERS
IS A LIFE
WORTHWHILE.

LIVE
FULLER

— ALBERT EINSTEIN —

To live fuller is to lead a purposeful life and make a difference in the lives of others. Even as we deliver our best to our customers, we also seek to give our best to the communities we work in. We believe life is truly greater when we make someone else's life better.





CORPORATE SOCIAL RESPONSIBILITY

Making a positive difference to the communities in which we operate is integral to Great Eastern's culture. As a LIFE company, we believe life is truly great when we make someone else's life better.

Year round, our community and corporate social responsibility (CSR) efforts centred on our Live Great philosophy where we championed healthy living and wellness. Our employees and distribution partners continued to actively support our ChildrenCare and GoldenCare programmes which benefited needy children and the elderly.

LIVING GREAT THROUGH SPORTS

In Singapore, our signature Great Eastern Women's Run attracted 15,000 participants of all ages. For the first time, a 21km category was introduced and featured elite runners from the Asia-Pacific, further raising the stature of the race. Prior to race day, participants attended a series of classes on healthy cooking, Pilates, Yoga and kickboxing.

In conjunction with the Run, S\$35,000 was raised for causes closely associated with women, namely the Breast Cancer Foundation, Singapore Heart Foundation,

Singapore Cancer Society and Singapore Council of Women's Organisations.

We renewed our co-title sponsorship of the S.League for 2012 and 2013. Together with our S.League football ambassadors, we successfully promoted the benefits of sports to over 10,000 students from 14 primary schools through our school outreach programme, Let's Go Sporty!

In Malaysia, our Yoga for Life saw a record turnout of 2,220 participants, which earned us an entry into the Malaysia Book of Records. The inaugural Live Great Run drew 5,000 avid runners. A highlight was the 3km Fun Run where participants ran in pairs in oversized double T-shirts which carried health-related slogans such as "Fun For Two, Healthy Too" and "Fun And Fit".

In Brunei, we announced our sponsorship of the Great Eastern Women 10K which will be held in April 2013. The race will be one of the main categories in the Standard Chartered Half Marathon and is aimed at empowering women to take ownership of their health.

HELPING OUR YOUNG AND ELDERLY FRIENDS LIVE GREAT

Across the markets, activities were organised and funds were raised for needy children and our elderly beneficiaries.

In Singapore, employees and distribution representatives helped to raise S\$130,000 for our ChildrenCare project which benefits children with special needs. The funds support a multitude of projects, including sports and wellness activities for the children.

We donated S\$10,000 to build a fitness corner for disadvantaged youths at The Salvation Army Gracehaven. Football coaching clinics, visits to football games and outings were also organised for the youths, including an eco-tour to educate them on the delicate balance of nature. Our young beneficiaries from MINDS Fernvale Gardens School were brought to Sentosa Underwater World where they learnt about marine conservation.

To promote active ageing, we harnessed our Making Life Great workshops to engage our elderly beneficiaries from the AWWA Community Home for Senior Citizens to stay active and healthy. For the first time, over a five-month period, some

1,000 employees across the company chalked up 3,000 community service hours to organise weekly activities which included mini-Olympics, telematches, as well as excursions.

Our ChildrenCare projects in Malaysia, which included the 1 Great Eastern Family Flea Market and the 6th Chocolate Cake Championship, raised over RM230,000 (S\$92,000). Of this, RM100,000 (S\$40,000) was donated to 15 homes for children across the country to improve their welfare. We also brought cheer to over 100 underprivileged children in Sarawak and Malacca and provided them a Live Great out-of-the-classroom experience.

EMPOWERING THROUGH EDUCATION

In Singapore, we contributed S\$25,000 to the Singapore University of Technology and Design to fund bursaries for aspiring youths while in Malaysia, we awarded scholarships to five deserving undergraduates under our Great Eastern Supremacy Scholarship Award, bringing the total we have supported to date to 102. An educational forum was also held in Kuala Lumpur for 200 students to instil in them a sense of responsibility

and awareness on the dangers of drugs, alcohol and bullying in schools.

In Indonesia, we were the Platinum Sponsor for Insurance Day. We capitalised on the theme "Insurance for All" to educate the public on the importance of insurance. Over 100 of our employees, agents, financial advisors and their families also participated in the FunWalk and FunBike events.

In Vietnam, we extended scholarships to 78 deserving underprivileged children in Ho Chi Minh City. In addition, a percentage from the sale of our *Excellent Education Plan* will help fund our Great Life Lessons initiative for scholarships for needy students. We also sponsored the Traffic Safety Walk in Ho Chi Minh City to educate the public on road safety. One hundred employees and volunteers participated in the walk.

OTHER COMMUNITY INITIATIVES

During the year, a myriad of other programmes were also organised which brought the Great Eastern brand closer to the community.

In Singapore, to cap a year of giving, two fundraising activities were held. The Christmas Charity Bazaar raised

1. Willing hearts, willing hands – Four joint OCBC-GE CSR initiatives were held in 2012.
2. Bringing cheer to our elderly friends through Making Life Great workshops in Singapore.
3. GELM's ChildrenCare Wish Tree project fulfilled the wishes of children from the Good Samaritan Home.
4. GELI was the Platinum Sponsor for Insurance Day.
5. GELV provided free health checks for needy villagers.

S\$30,000 for Samaritans of Singapore's LOSS programme which supports family members of suicide victims. Draw It Forward provided the platform for 100 students to sharpen their drawing skills and in the process, they raised over S\$7,000 for MINDS Fernvale Gardens School.

In Malaysia, I-pledge members visited the Integrity School of Kajang and provided encouragement to 300 young offenders. Staff also brought festive cheer to children from the Good Samaritan Home when they fulfilled their Christmas wishes.

In Vietnam, our Helping Hands programme supports the government's effort to provide basic healthcare insurance for the needy through subsidies for every *Healthcare 360* policy incepted. We also provided free health checks and medicine to the poor in Can Gio District.

JOINT CSR WITH OCBC BANK

We collaborated with our parent company OCBC Bank on four joint initiatives to help the less fortunate. These included preparing meals for over 1,000 needy families across Singapore, food packing and distribution to low-income families as well as spring cleaning homes for the needy elderly.

ONLY A LIFE LIVED
FOR OTHERS
IS A LIFE
WORTHWHILE.

LIVE HAPPIER

— ALBERT EINSTEIN —

Happiness is key to living great. With this in mind, Great Eastern has nurtured an invigorating, engaging and positive environment to bring forth the best in our people and help them realise their fullest potential. After all, our employees are our most valuable assets.





HUMAN CAPITAL



1. At Great Eastern we work hard, we play hard.
2. Celebrating Live Great Day, Hari Raya Adilfitri and our 104th birthday as one happy family.
3. Aloha to our top achievers!
4. Live Great!
5. Rolling good times.
6. Children's Day celebration in Vietnam.

At Great Eastern, we value our employees as key assets. We are committed to being an employer of choice and to providing an engaging environment for employees to perform to their fullest potential.

GEvolution, the Group's five-year corporate strategic roadmap to unify us in our vision and to better align our corporate goals, continued to be the buzzword and firm focus as we further developed the 'Best People' branch of our Strategy Tree.

INVESTING IN TALENT MANAGEMENT

Good talent management is key to the long-term success of the company and to building a ready bench strength. Through the Group Exceptional Talent Programme, talents are identified and nurtured on a proactive basis. Customised developmental tracks are in place to address the needs of different roles and responsibilities.

Being part of the OCBC Group has created unique opportunities for our employees to learn and be exposed to the larger financial services arena. Towards this end, we worked closely with OCBC to

offer job rotations across different levels, functions, businesses and geographies for identified talents. This has resulted in a constant flow of high performing employees within the OCBC family, all aligned to the organisational culture.

DRIVING PERFORMANCE THROUGH TOTAL REWARDS

Great Eastern adopts a holistic Total Rewards Strategy which strongly links performance and rewards. This approach optimises the balance between achieving corporate goals, meeting employee needs and managing the cost-risk structure of the business.

To drive performance, remuneration and other incentives are positioned as a total rewards rather than individual compensation components.

We believe that recognition go beyond monetary rewards. Employee recognition programmes such as Chairman's Awards, GEvolution Heroes, GEvolution Awards and Employee Appreciation Week were held to acknowledge achievers and achievements.

The Chairman's Awards were bestowed to outstanding individuals and project teams for exemplary work and dedication. The inaugural GEvolution Heroes and GEvolution Awards attracted over 330 nominations across the Group. GEvolution Heroes were hailed for creating positive changes by innovating their everyday work, exhibiting the highest degree of our core values as well as for dedicating extra effort to accomplish more for the company.

Similarly, the GEvolution Awards aimed at driving innovation across the markets and spurred staff to rethink and innovate at their workplace in the areas of cost efficiency, customer centricity and productivity. The top three ideas from each country were shortlisted for the regional playoffs which was won by the Singapore General Insurance team for their novel solution of making travel claims seamless for customers.

In Singapore and Malaysia, in line with our refreshed brand ambition of being a LIFE company, we introduced LIFE, the first-of-its-kind integrated employee benefit

and health incentive programme. LIFE is a key component of our Employee Value Proposition and helps employees better understand and internalise what the Great Eastern brand means to them, which will spur them to contribute more proactively and positively to the company's vision.

These initiatives have successfully shaped a collaborative yet high-performing work culture within the company.

BUILDING AN ENGAGED WORKFORCE

Great Eastern continued to be ranked amongst the best employers in Asia in Aon Hewitt's employee engagement survey, with a consistent year-on-year employee engagement score which is ahead of the industry. In Malaysia, we were conferred the title of "100 Leading Graduate Employers 2012" for the fourth consecutive year, validating our efforts at providing a great working environment for employees.

Across the Group, our employee engagement strategy continued to be fuelled by our Making Life Great (MLG)

workshop to further drive corporate culture-building. The workshops were effective forums for employees to share and exchange ideas as well as contribute suggestions to improve the workplace. In Singapore, to engage employees further, for the first time, we incorporated corporate social responsibility into these workshops where employees organised activities for the needy elderly.

In Malaysia, the inaugural 1 Great Eastern Family Carnival culminated eight months of activities aimed at fostering teamwork and stronger bonds between all business units and divisions. In Indonesia and Vietnam, staff retreats and townhalls were organised to build greater unity and cohesiveness.

OUR DEDICATED DISTRIBUTION FORCE

Across the region, our 20,000-strong distribution representatives rank among the most productive and most well-trained.

We continued to equip our force to enable them to provide the most trusted and professional advice. Best-in-class training programmes and courses were

regularly held to update them on product knowledge and regulations as well as to hone their skills to better meet the increasingly sophisticated needs of customers and the constantly changing demands of the marketplace.

In Singapore, we also invested in revitalising our Centre for Excellence, further underscoring our commitment to raise the standard of professionalism of our force.

As a LIFE company, we believe that we are only as good as our people. We are proud of our distribution representatives who have gone the extra mile to help our customers live healthier, better and longer so that they can be there for the ones they love.



LIVE GREATER

In a world of seven billion people, there will never be another you. To love your family the way you do. And to take care of them as they care for you. So start living Healthier, Better and Longer for those who matter most to you. Live Greater because there's More to Life.





YEAR IN REVIEW (HIGHLIGHTS)



- Employees across the Group celebrated Great Eastern's 104th birthday and fully embraced GEvolution.
- A great start for the inaugural Live Great Run in Malaysia.
- Japan's Noriko Higuchi won the Great Eastern Women's Run Elite Half Marathon Category.
- Our operations in Vietnam garnered the Golden Dragon Award.
- GELS' sponsorship of the S.League brought the Great Eastern brand closer to the community.
- A record ninth Reader's Digest Trusted Brand Award for GELM.
- GELI's seminar for university students attracted a good turnout.
- High five to Live Great which anchored many of our 2012 initiatives.

JANUARY

- GELS renewed its co-title sponsorship of the S.League for 2012 and 2013.
- GELI formalised its bancassurance referral model for financial advisors.
- The first OCBC-GE joint CSR initiative was held.
- Enhanced Employee Benefit Plus Scheme was launched in Singapore.

FEBRUARY

- Great Eastern launched its brand ambition to be a LIFE company.
- A new consumer campaign, "There will never be another you", was rolled out in Singapore and Malaysia.
- Launch of GEvolution Awards across the Group to recognise exemplary staff.
- The 2012 Great Eastern Charity Shield raised \$20,000 for ChildrenCare.
- Official opening of GELM's model branch in Ipoh.
- GELS introduced *Supreme Protect*.
- GELI launched *MaxPrestige Care* and *MaxHealth* with Bank OCBC NISP.

MARCH

- The Great Eastern Women's Run was launched.
- Our "There will never be another you" Facebook contest drew 973 entries in Singapore and Malaysia.
- GELV partnered Ho Chi Minh City TV on a programme on Great Eastern.
- GELV bagged its third consecutive Golden Dragon Award.
- GEFA and OCBC Bank jointly launched AssureBanking.
- GETSB launched *i-Great Iqra*, the first such Takaful education plan.
- The first Great Eastern Takaful Agency Synergy Station was opened in Kota Bharu.

APRIL

- GELM's inaugural Health Fair drew 25,000 visitors.
- GELM was named Private Health Insurance Provider of the Year by Frost & Sullivan.
- GELC opened its Luzhou Centre sub-branch in Sichuan Province.
- Three LGI funds won accolades at the Lipper Funds Awards.

MAY

- Official launch of the Live Great Programme, the first integrated health and wellness programme by an insurance company in the region.

- GELM organised a flea market to raise funds for ChildrenCare.
- GELV sponsored health checks and supported Traffic Safety Walk 2012.
- For the first time, Making Life Great workshops in Singapore included a CSR element. Employees chalked up 3,000 hours of community service.
- GELS introduced *PI Supreme* for non-traditional professionals.
- We garnered Gold in the Reader's Digest Trusted Brand Award for Singapore and Malaysia.
- GELS was the official insurance partner for the Audi Fashion Festival.

JUNE

- Great Eastern was ranked seventh out of 100 top Singapore brands by Brand Finance.
- GELS employees and distribution force celebrated Live Great Day.
- GELI organised a seminar for university students to generate awareness of a career in insurance.
- The first Let's Go Sporty! session in schools was held by GELS to promote a healthy lifestyle through sports.
- In Singapore, over 1,000 entries were received for the "There will never be another you" art competition.

JULY

- GELM set a national record with a 2,220-strong turnout at Yoga for Life.
- GELM awarded Supremacy Scholarships to needy students.
- GETSB launched the *Entrepreneur Takaful Plan* with OCBC Al-Amin.
- GELV launched *Excellent Education Plan*.

AUGUST

- Great Eastern turned 104.
- GELS was the presenting sponsor for Health & You which attracted over 100,000 visitors.
- The first GE Women's Run fringe activity – a breakfast run and cook-out – was held.
- GEFA broadened its services and range of non-life insurance products.

SEPTEMBER

- Great Eastern Holdings entered into a conditional sale and purchase agreement with Chongqing City Construction Investment (Group) Co., Ltd. to sell 25% of its equity interest in GELC.
- GELI launched *MaxPrestige Heritage*, the first universal life product marketed through bancassurance in Indonesia.

- The LOHAS Mega Health Seminar sponsored by GELS drew good interest.
- GELI introduced Great Entrepreneur Talent Search to boost recruitment.
- GELV awarded 78 scholarships to underprivileged students.
- Our 2011 Annual Report won an award at the prestigious 26th International ARC Awards in New York.

OCTOBER

- The revitalised Centre for Excellence re-opened in Singapore.
- GELI was the Platinum Sponsor for Indonesia's Insurance Day 2012.
- LGI completed its purchase of a 70% equity stake in Pacific Mutual Fund Berhad.
- GELC opened its Hubei Branch in Wuhan.

NOVEMBER

- Over 15,000 ladies participated in the Great Eastern Women's Run which raised S\$35,000 for health and women-related causes.
- GELM's inaugural Live Great Run drew a huge crowd.
- Mortgage Protector Advantage* was launched in Singapore.
- GELM's *Great Retirement Plan* was introduced.
- GELM clinched Malaysia's 100 Leading Graduate Employer title for the fourth consecutive year.
- GETSB launched *i-Great Teras* for the mass Takaful market.
- GELI launched its Facebook page.
- LGI inked its first European institutional mandate from a German-based pension fund.

DECEMBER

- Standard and Poor's reaffirmed its "AA-" credit rating with a stable outlook for GELS.
- The Christmas Charity Bazaar in Singapore raised over S\$30,000 for Samaritans of Singapore.
- GETSB was awarded Best New Islamic Institution at the Islamic Business & Finance Awards in Dubai.
- GELI was appointed by Bank OCBC NISP to provide coverage for the bank's employees and dependants.
- GELV launched *Healthcare 360*, the first comprehensive medical plan among life insurers in Vietnam.
- We announced our sponsorship of the Great Eastern Women 10K in Brunei.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

The Directors present their report to the members together with the audited consolidated financial statements of Great Eastern Holdings Limited (“GEH” or the “Company”) and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2012.

1. DIRECTORS

The Directors of the Company in office at the date of this report are:

Mrs Fang Ai Lian, **Chairman**
Mr Christopher Wei, **Group Chief Executive Officer**
Dr Cheong Choong Kong
Mr Norman Ip
Mr Koh Beng Seng
Mr Law Song Keng (appointed on 1 January 2013)
Mr Lee Seng Wee
Mr Lee Chien Shih
Mr Tan Yam Pin
Mr Samuel N Tsien

Mr Norman Ip and Mr Lee Chien Shih will retire by rotation in accordance with Article 91 of the Company’s Articles of Association at the forthcoming annual general meeting (“AGM”) of the Company and, being eligible, will offer themselves for re-election at the AGM.

Mr Law Song Keng, who was appointed in accordance with Article 97 of the Company’s Articles of Association, will retire at the forthcoming AGM of the Company in accordance with the provisions of that Article and, being eligible, will offer himself for re-election at the AGM.

Dr Cheong Choong Kong and Mr Tan Yam Pin will retire pursuant to Section 153 of the Companies Act, Chapter 50 (the “Companies Act”) at the forthcoming AGM of the Company. Resolutions will be proposed at the forthcoming AGM of the Company for their re-appointment under Section 153(6) of the Companies Act to hold office until the next AGM of the Company.

Mr Lee Seng Wee will retire pursuant to Section 153 of the Companies Act and will not offer himself for re-appointment.

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, save as disclosed in this report.

DIRECTORS' REPORT

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of Directors' shareholdings, none of the Directors who held office at the end of the financial year had any interest in shares in, or debentures of, the Company as at the end of the financial year and as at 21 January 2013. Mr Law Song Keng who was appointed on 1 January 2013 did not hold any interest in shares in, or debentures of, the Company as at 21 January 2013. Directors' interests in shares in, or debentures of, the Company's holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") and its related corporations are as follows:

	Holdings registered in the name of Directors or in which Directors have a direct interest		Holdings in which Directors are deemed to have an interest	
	As at 1.1.2012 or date of appointment	As at 31.12.2012	As at 1.1.2012 or date of appointment	As at 31.12.2012
(i) Ordinary shares in the capital of OCBC Bank				
Mrs Fang Ai Lian	62,671	68,671	-	-
Mr Christopher Wei	-	-	-	62,021⁽²⁾
Dr Cheong Choong Kong	178,373	378,373	10,831 ⁽¹⁾	10,831⁽¹⁾
Mr Norman Ip	3,383	3,383	-	-
Mr Lee Seng Wee	7,525,454	7,531,454	4,401,409 ⁽¹⁾	4,401,409⁽¹⁾
Mr Lee Chien Shih	1,999,134	1,999,134	-	-
Mr Samuel N Tsien	121,555	121,555	214,802 ⁽³⁾	222,139⁽⁴⁾
(ii) 4.2% non-cumulative non-convertible Class G preference shares in OCBC Bank				
Dr Cheong Choong Kong	15,000	15,000	-	-
Mr Norman Ip	2,000	2,000	-	-
Mr Lee Seng Wee	800,000	800,000	600,000 ⁽¹⁾	600,000⁽¹⁾
Mr Lee Chien Shih	176,000	176,000	-	-
(iii) 5.1% non-cumulative non-convertible Class B preference shares in OCBC Bank				
Mrs Fang Ai Lian	1,700	1,700	-	-
Mr Tan Yam Pin	-	-	2,000 ⁽¹⁾	2,000⁽¹⁾
(iv) OCBC Capital Corporation (2008) 5.1% non-cumulative non-convertible guaranteed preference shares				
Dr Cheong Choong Kong	10,000	10,000	-	-
(v) OCBC Bank 5.6% Subordinated Notes Due 2019				
Mr Tan Yam Pin	-	-	500,000 ⁽¹⁾	500,000⁽¹⁾

Notes

⁽¹⁾ Held by spouse.

⁽²⁾ Comprises deemed interest in 62,021 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan.

⁽³⁾ Comprises deemed interest in 206,780 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 8,022 ordinary shares granted under the OCBC Employee Share Purchase Plan.

⁽⁴⁾ Comprises deemed interest in 214,084 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 8,055 ordinary shares granted under the OCBC Employee Share Purchase Plan.

DIRECTORS' REPORT

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (continued)

(vi) Share options

According to the register of Directors' shareholdings, as at the beginning and as at the end of the financial year, the following Directors have interests in share options to subscribe for ordinary shares in the capital of OCBC Bank under the OCBC Share Option Scheme 2001, as follows:

	Options held by Directors		Options in which Directors are deemed to have an interest	
	As at 1.1.2012 or date of appointment	As at 31.12.2012	As at 1.1.2012 or date of appointment	As at 31.12.2012
Mr Christopher Wei	-	562,441	-	-
Dr Cheong Choong Kong	1,637,787	1,778,711	-	-
Mr Samuel N Tsien	1,125,538	1,125,538	-	-

Save as disclosed above, the Directors did not have any interest in shares in, or debentures of, the Company or any related corporation either at the beginning of the financial year, date of appointment or at the end of the financial year.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no Director has received, or become entitled to receive, benefits by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest, save as disclosed in this report, and except for employment remuneration/benefits received by the Company's Group Chief Executive Officer as disclosed in the financial statements, and further except for employment remuneration/benefits received by another Director in his capacity as the Chief Executive Officer of the Company's holding company, OCBC Bank.

One of the Company's non-executive Directors, Dr Cheong Choong Kong ("Dr Cheong"), who is also a non-executive Director and Chairman of OCBC Bank, had entered into an agreement with OCBC Management Services Private Limited, a wholly-owned subsidiary of OCBC Bank, under which Dr Cheong was appointed as consultant to oversee and supervise the strategic planning of OCBC Bank and its subsidiaries with respect to customer service, talent identification, and the development and succession of senior management within the OCBC Group. This Agreement expired and ceased on 30 June 2012. Under the agreement, in respect of the financial year ended 31 December 2012, when the agreement was applicable for the period from 1 January to 30 June 2012, Dr Cheong has received payments and benefits amounting to \$547,528 and will receive a variable bonus of \$50,000 or any additional bonus as may be determined by the Remuneration Committee and the Board of Directors of OCBC Bank. In respect of the financial year ended 31 December 2011 (full year), Dr Cheong received aggregate payments and benefits of \$1,117,155 and a variable bonus of \$1,000,000, comprising a bonus of \$100,000 and an additional bonus of \$900,000.

In his capacity as a non-executive Director of GEH and one of GEH's subsidiaries, Dr Cheong receives Directors' fees and the amount of his Directors' fees for the financial year ended 31 December 2012 has been included in the total amount of Directors' remuneration disclosed in the Corporate Governance Section of the Annual Report. In his capacity as a director of OCBC Bank, Dr Cheong is also eligible for any Directors' fees or share options from OCBC Bank that are recommended by the Board of Directors of OCBC Bank.

DIRECTORS' REPORT

5. SHARE OPTIONS

The Company does not have any share option scheme in place.

Certain Directors of the Company, in particular those who are also Directors of OCBC Bank, are participants of the OCBC Share Option Scheme 2001 and certain other plans implemented by OCBC Bank, such as the OCBC Deferred Share Plan and the OCBC Employee Share Purchase Plan. Directors' interests in shares and share options in OCBC Bank are set out in paragraph 3 above.

6. AUDIT COMMITTEE

The Audit Committee ("AC") comprises four non-executive independent Directors. The AC members at the date of this report are Mr Tan Yam Pin (AC Chairman), Mrs Fang Ai Lian, Mr Norman Ip and Mr Law Song Keng. The AC convened four meetings during the financial year under review.

The AC performs the functions specified under Section 201B(5) of the Companies Act, Chapter 50, including review with the auditor of their audit plan, their evaluation of the system of internal accounting controls and their audit report, review the assistance given by the Company's officers to the auditor, review the scope and results of the internal audit procedures, review the financial statements of the Company and of the Group and the auditor's report thereon, and thereafter submits them to the Company's Board of Directors. Details of the functions performed by the AC, including functions specified in the Listing Manual, the Banking (Corporate Governance) Regulations 2005, Banking (Corporate Governance) (Amendment) Regulations 2010, MAS CG Guidelines for Corporate Governance and the Code of Corporate Governance, are set out in the Report on Corporate Governance included in the Company's Annual Report for the financial year ended 31 December 2012.

The AC has nominated Ernst & Young LLP for re-appointment as auditor at the Annual General Meeting of the Company.

7. AUDITOR

The auditor, Ernst & Young LLP, has expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Fang Ai Lian
Chairman

Christopher Wei
Director

Singapore
7 February 2013

STATEMENT BY DIRECTORS

Pursuant to Section 201(15) of the Companies Act, Chapter 50

We, Fang Ai Lian and Christopher Wei, being two of the Directors of Great Eastern Holdings Limited (the “Company”), do hereby state that, in the opinion of the Directors:

- (i) the accompanying financial statements of the Company and its subsidiaries (collectively, the “Group”), which comprise the balance sheets of the Group and of the Company as at 31 December 2012, the profit and loss statements, the statements of changes in equity and the statements of comprehensive income of the Group and of the Company and the statement of cash flows, the life assurance revenue statement and general insurance revenue statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity of the Group and of the Company and the cash flows and results of the insurance operations of the Group for the financial year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Fang Ai Lian
Chairman

Christopher Wei
Director

Singapore
7 February 2013

INDEPENDENT AUDITOR'S REPORT

to the members of Great Eastern Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Great Eastern Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 73 to 193, which comprise the balance sheets of the Group and the Company as at 31 December 2012, the profit and loss statements, statements of comprehensive income and the statements of changes in equity of the Group and the Company, the statement of cash flows, the life assurance revenue statement and general insurance revenue statement of the Group for the 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the consolidated financial statements of the Group and the balance sheet, profit and loss statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results and changes in equity of the Group and of the Company and the cash flows of the Group and results of the insurance operations of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP

Public Accountants and Certified Public Accountants

Singapore

7 February 2013

PROFIT & LOSS STATEMENTS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2012	2011	2012	2011
Gross Premiums		6,614.5	6,430.7	-	-
Life assurance profit from:					
Participating Fund		144.0	121.5	-	-
Non-participating Fund		422.5	134.4	-	-
Investment-linked Fund		125.2	126.6	-	-
Profit from life assurance		691.7	382.5	-	-
Profit from general insurance		34.4	29.3	-	-
Profit from insurance operations		726.1	411.8	-	-
Dividend from subsidiaries		-	-	515.7	308.3
Investment income, net	4	111.4	96.4	-	-
Gain/(loss) on sale of investments and changes in fair value	5	562.9	(9.9)	-	-
Increase in provision for impairment of assets	6	(0.2)	(1.9)	-	(1.6)
(Loss)/gain on exchange differences		(0.5)	0.4	-	-
Profit from investments in Shareholders' Fund		673.6	85.0	515.7	306.7
Fees and other income		64.8	69.0	0.8	1.7
Profit before expenses		1,464.5	565.8	516.5	308.4
less:					
Management and other expenses		71.6	72.1	10.7	8.2
Interest expense		18.3	18.3	-	-
Depreciation		2.2	1.9	0.1	0.1
Expenses		92.1	92.3	10.8	8.3
Profit after expenses		1,372.4	473.5	505.7	300.1
Share of loss after income tax of joint ventures		(3.2)	(8.4)	-	-
Profit before income tax	8	1,369.2	465.1	505.7	300.1
Income tax		(173.9)	(73.3)	-	-
Profit after income tax		1,195.3	391.8	505.7	300.1
Attributable to:					
Shareholders		1,189.1	385.7	505.7	300.1
Non-controlling interests		6.2	6.1	-	-
		1,195.3	391.8	505.7	300.1
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	10	\$2.51	\$0.81		

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2012	2011	2012	2011
Profit after income tax for the year		1,195.3	391.8	505.7	300.1
Other comprehensive income:					
Exchange differences arising on translation of overseas entities		(15.5)	(14.7)	-	-
Share of other comprehensive income of associates and joint ventures		(3.3)	4.1	-	-
Available-for-sale financial assets:					
Changes in fair value		364.2	(69.0)	-	-
Reclassification of realised gain on disposal to Profit and Loss Statement	5	(493.7)	(22.8)	-	-
Tax on changes in fair value	9	22.3	15.9	-	-
Other comprehensive income for the year, after tax		(126.0)	(86.5)	-	-
Total comprehensive income for the year		1,069.3	305.3	505.7	300.1
Total comprehensive income attributable to:					
Shareholders		1,059.8	300.1	505.7	300.1
Non-controlling interests		9.5	5.2	-	-
		1,069.3	305.3	505.7	300.1

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS - GROUP

as at 31 December

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Share capital	11	152.7	152.7	152.7	152.7	-	-
Reserves							
Currency translation reserve	12	(63.7)	(42.6)	(63.7)	(42.6)	-	-
Fair value reserve	12	41.8	150.0	41.8	150.0	-	-
Accumulated profit		4,666.2	3,652.2	4,666.2	3,652.2	-	-
SHAREHOLDERS' FUND		4,797.0	3,912.3	4,797.0	3,912.3	-	-
NON-CONTROLLING INTERESTS		42.5	30.2	42.5	30.2	-	-
TOTAL EQUITY		4,839.5	3,942.5	4,839.5	3,942.5	-	-
LIABILITIES							
Insurance payables	13	2,791.2	2,517.5	24.3	24.1	2,766.9	2,493.4
Other creditors and interfund balances	14	2,461.5	2,364.9	115.9	306.6	2,345.6	2,058.3
Unexpired risk reserve	16	120.3	111.8	120.3	111.8	-	-
Derivative financial liabilities	23	42.0	62.1	0.2	1.2	41.8	60.9
Income tax		487.8	417.9	145.1	97.4	342.7	320.5
Provision for agents' retirement benefits	7	245.2	231.3	-	-	245.2	231.3
Amount due to joint venture	21	-	0.1	-	0.1	-	-
Deferred tax	9	1,069.9	945.9	62.5	87.8	1,007.4	858.1
Debt issued	15	399.2	399.1	399.2	399.1	-	-
General insurance fund	17	186.5	188.7	186.5	188.7	-	-
Life assurance fund	18	47,057.9	44,420.8	-	-	47,057.9	44,420.8
TOTAL EQUITY AND LIABILITIES		59,701.0	55,602.6	5,893.5	5,159.3	53,807.5	50,443.3
ASSETS							
Cash and cash equivalents		4,212.6	7,248.9	588.5	713.1	3,624.1	6,535.8
Other debtors and interfund balances	19	1,902.6	1,517.7	1,402.9	1,081.3	499.7	436.4
Insurance receivables	20	2,582.4	2,558.1	130.8	130.5	2,451.6	2,427.6
Loans	22	1,084.0	1,202.5	36.1	44.4	1,047.9	1,158.1
Derivative financial assets	23	490.7	438.0	2.1	2.6	488.6	435.4
Investments	24	46,825.7	40,152.9	3,608.7	3,057.3	43,217.0	37,095.6
Assets held for sale	25	3.0	4.4	3.0	4.4	-	-
Associates and joint ventures	26	322.9	320.2	74.6	81.1	248.3	239.1
Goodwill	28	34.1	26.1	34.1	26.1	-	-
Investment properties	29	1,531.6	1,411.8	-	5.1	1,531.6	1,406.7
Property, plant and equipment	30	711.4	722.0	12.7	13.4	698.7	708.6
TOTAL ASSETS		59,701.0	55,602.6	5,893.5	5,159.3	53,807.5	50,443.3

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEET - COMPANY

as at 31 December

in Singapore Dollars (millions)	Note	Company	
		2012	2011
Share capital	11	152.7	152.7
Reserves			
Merger reserve	12	419.2	419.2
Accumulated profit		1,157.1	826.5
TOTAL EQUITY		1,729.0	1,398.4
LIABILITIES			
Other creditors	14	6.4	6.1
Income tax		0.1	-
TOTAL EQUITY AND LIABILITIES		1,735.5	1,404.5
ASSETS			
Cash and cash equivalents		57.8	9.0
Income tax		-	0.8
Amounts due from subsidiaries	21	1,000.3	717.3
Subsidiaries	27	677.3	677.3
Property, plant and equipment		0.1	0.1
TOTAL ASSETS		1,735.5	1,404.5

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY - GROUP

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Attributable to shareholders of the Company					Non-Controlling Interests	Total Equity
		Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit ⁽¹⁾	Total		
Balance at 1 January 2012		152.7	(42.6)	150.0	3,652.2	3,912.3	30.2	3,942.5
Profit for the year		-	-	-	1,189.1	1,189.1	6.2	1,195.3
Other comprehensive income								
Exchange differences arising on translation of overseas entities		-	(17.6)	-	-	(17.6)	2.1	(15.5)
Share of other comprehensive income of associates and joint ventures		-	(3.5)	0.2	-	(3.3)	-	(3.3)
Available-for-sale financial assets:								
Changes in fair value		-	-	363.0	-	363.0	1.2	364.2
Reclassification of realised gain on disposal to Profit and Loss Statement		-	-	(493.7)	-	(493.7)	-	(493.7)
Tax on changes in fair value		-	-	22.3	-	22.3	-	22.3
Other comprehensive income for the year, after tax		-	(21.1)	(108.2)	-	(129.3)	3.3	(126.0)
Total comprehensive income for the year		-	(21.1)	(108.2)	1,189.1	1,059.8	9.5	1,069.3
Contributions by and distributions to shareholders								
Dividends paid during the year:								
Final tax exempt (one-tier) dividend for the previous year	37	-	-	-	(127.8)	(127.8)	-	(127.8)
Interim tax exempt (one-tier) dividend	37	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to non-controlling interests		-	-	-	-	-	(2.5)	(2.5)
Total contributions by and distributions to shareholders		-	-	-	(175.1)	(175.1)	(2.5)	(177.6)
Changes in ownership interests in subsidiaries that do not result in a loss of control								
Acquisition of subsidiary		-	-	-	-	-	5.3	5.3
Total changes in ownership interests in subsidiaries		-	-	-	-	-	5.3	5.3
Total transactions with shareholders in their capacity as shareholders		-	-	-	(175.1)	(175.1)	2.8	(172.3)
Balance at 31 December 2012		152.7	(63.7)	41.8	4,666.2	4,797.0	42.5	4,839.5

⁽¹⁾ Included in Accumulated Profit are non-distributable reserves of \$1,018.2 million (2011: \$1,122.7 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 35 for more details.

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY - GROUP

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Attributable to shareholders of the Company				Total	Non-Controlling Interests	Total Equity
		Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit ⁽¹⁾			
Balance at 1 January 2011		247.4	(32.3)	225.3	3,583.6	4,024.0	35.0	4,059.0
Profit for the year		-	-	-	385.7	385.7	6.1	391.8
<u>Other comprehensive income</u>								
Exchange differences arising on translation of overseas entities		-	(14.5)	-	-	(14.5)	(0.2)	(14.7)
Share of other comprehensive income of associates and joint ventures		-	4.2	(0.1)	-	4.1	-	4.1
Available-for-sale financial assets:								
Changes in fair value		-	-	(68.2)	-	(68.2)	(0.8)	(69.0)
Reclassification of realised gain on disposal to Profit and Loss Statement		-	-	(22.8)	-	(22.8)	-	(22.8)
Tax on changes in fair value		-	-	15.8	-	15.8	0.1	15.9
Other comprehensive income for the year, after tax		-	(10.3)	(75.3)	-	(85.6)	(0.9)	(86.5)
Total comprehensive income for the year		-	(10.3)	(75.3)	385.7	300.1	5.2	305.3
<u>Contributions by and distributions to shareholders</u>								
Capitalisation from accumulated profit	11	269.8	-	-	(269.8)	-	-	-
Cash distribution	11	(364.5)	-	-	-	(364.5)	-	(364.5)
Dividends paid during the year:								
Interim tax exempt (one-tier) dividend	37	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to non-controlling interests		-	-	-	-	-	(10.0)	(10.0)
Total contributions by and distributions to shareholders		(94.7)	-	-	(317.1)	(411.8)	(10.0)	(421.8)
Total transactions with shareholders in their capacity as shareholders		(94.7)	-	-	(317.1)	(411.8)	(10.0)	(421.8)
Balance at 31 December 2011		152.7	(42.6)	150.0	3,652.2	3,912.3	30.2	3,942.5

⁽¹⁾ Included in Accumulated Profit are non-distributable reserves of \$1,018.2 million (2011: \$1,122.7 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 35 for more details.

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY - COMPANY

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Share Capital	Merger Reserve	Accumulated Profit	Total Equity
Balance at 1 January 2012		152.7	419.2	826.5	1,398.4
Profit for the year		-	-	505.7	505.7
Total comprehensive income for the year		-	-	505.7	505.7
Contributions by and distributions to shareholders					
Dividends paid during the year:					
Final tax exempt (one-tier) dividend for the previous year	37	-	-	(127.8)	(127.8)
Interim tax exempt (one-tier) dividend	37	-	-	(47.3)	(47.3)
Total contributions by and distributions to shareholders		-	-	(175.1)	(175.1)
Total transactions with shareholders in their capacity as shareholders		-	-	(175.1)	(175.1)
Balance at 31 December 2012		152.7	419.2	1,157.1	1,729.0
Balance at 1 January 2011		247.4	419.2	843.5	1,510.1
Profit for the year		-	-	300.1	300.1
Total comprehensive income for the year		-	-	300.1	300.1
Contributions by and distributions to shareholders					
Capitalisation from accumulated profit	11	269.8	-	(269.8)	-
Cash distribution	11	(364.5)	-	-	(364.5)
Dividends paid during the year:					
Interim tax exempt (one-tier) dividend	37	-	-	(47.3)	(47.3)
Total contributions by and distributions to shareholders		(94.7)	-	(317.1)	(411.8)
Total transactions with shareholders in their capacity as shareholders		(94.7)	-	(317.1)	(411.8)
Balance at 31 December 2011		152.7	419.2	826.5	1,398.4

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		1,369.2	465.1
Life assurance profit before income tax		1,492.3	615.6
General insurance profit before income tax		42.3	39.9
Adjustments for non-cash items:			
Surplus transferred from life assurance fund but not yet withdrawn		(691.7)	(382.5)
Profit transferred from general insurance fund but not yet withdrawn		(34.4)	(29.3)
Share of (profit)/loss of associates and joint ventures		(36.6)	11.6
(Gain)/loss on sale of investments and changes in fair value		(3,087.8)	183.1
Increase in provision for impairment of assets	6	9.8	17.6
Increase in provision for agents' retirement benefits	7	34.4	31.2
Gain on disposal of property, plant and equipment, assets held for sale and investment properties	8	(1.1)	(0.6)
Depreciation	30	49.9	47.7
Unrealised loss/(gain) on exchange differences		84.5	(186.2)
Change in life assurance contract liabilities	18	2,573.5	1,613.5
Change in general insurance contract liabilities	17	1.9	(8.8)
Change in unexpired risk reserve	16	13.4	8.2
Amortisation of capitalised transaction fees		0.1	0.1
Dividend income	4	(451.8)	(442.8)
Interest income	4	(1,486.5)	(1,430.6)
Interest expense		18.3	18.3
Interest expense on policy benefits	8	100.5	90.4
Share-based payments	8	2.4	3.5
		2.6	665.0
Changes in working capital:			
Insurance receivables		(31.4)	(8.3)
Other debtors and interfund balances		(304.9)	246.3
Insurance payables		273.7	144.9
Other creditors and interfund balances		93.1	451.6
Cash generated from operations		33.1	1,499.5
Income tax paid		(295.1)	(199.1)
Interest paid on policy benefits		(100.5)	(90.4)
Agents' retirement benefits paid	7	(14.6)	(11.9)
Net cash flows (used in)/ from operating activities		(377.1)	1,198.1

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	2012	2011
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		20,516.6	17,852.7
Purchase of investments		(24,330.5)	(16,090.9)
Proceeds from reduction of interests in associates	26	24.0	19.1
Repayment of loans to joint ventures	21	(0.1)	(0.2)
Proceeds from sale of property, plant and equipment, assets held for sale and investment properties		8.0	3.4
Purchase of property, plant and equipment and investment properties	29, 30	(45.6)	(46.8)
Net cash (outflow)/inflow from acquisition of a subsidiary/business	28	(2.4)	10.0
Interest income received		1,374.2	1,379.3
Interest expense paid		(18.3)	(9.1)
Dividends received		450.3	447.3
Net cash flows (used in)/from investing activities		(2,023.8)	3,564.8
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	37	(175.1)	(47.3)
Dividends paid to non-controlling interests		(2.5)	(10.0)
Proceeds from debt issued		-	399.0
Cash distribution	11	-	(364.5)
Net cash flows used in financing activities		(177.6)	(22.8)
Net effect of currency translation reserve adjustment		(457.8)	(321.6)
Net (decrease)/increase in cash and cash equivalents		(3,036.3)	4,418.5
Cash and cash equivalents at the beginning of the year		7,248.9	2,830.4
Cash and cash equivalents at the end of the year		4,212.6	7,248.9
Cash and cash equivalents comprise:			
Cash and bank balances		914.0	726.9
Cash on deposit		1,942.3	3,795.6
Short term instruments		1,356.3	2,726.4
		4,212.6	7,248.9

Included in the cash and cash equivalents are bank deposits amounting to \$2.5 million (31 December 2011: \$1.3 million) which are lodged with the regulator as statutory deposits, which are not available for use by the Group.

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

LIFE ASSURANCE REVENUE STATEMENT

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group	
		2012	2011
Income			
Gross premiums		6,368.2	6,211.1
less: Premiums ceded to reinsurers		113.7	104.8
Net premiums		6,254.5	6,106.3
Commissions received from reinsurers		12.4	30.1
Investment income, net	4	1,718.2	1,675.9
Rental income, net		57.4	56.1
Gain/(loss) on sale of investments and changes in fair value	5	2,521.5	(174.4)
(Loss)/gain on exchange differences		(54.3)	103.4
		10,509.7	7,797.4
less: Expenses			
Gross claims, surrenders and annuities		5,437.4	4,580.3
Claims, surrenders and annuities recovered from reinsurers		(61.0)	(49.6)
Commissions and agency expenses		706.7	664.4
Increase in provision for impairment of assets	6	9.6	15.7
Management expenses		309.9	278.0
Agents' retirement benefits	7	34.4	31.2
Depreciation	30	46.7	45.1
Change in life assurance fund contract liabilities	18	2,573.5	1,613.5
		9,057.2	7,178.6
Life assurance profit before share of profit/(loss) of associates and joint ventures		1,452.5	618.8
Share of profit/(loss) of associates		40.1	(3.2)
Share of loss of joint ventures		(0.3)	-
Life assurance profit before income tax		1,492.3	615.6
Income tax	9	(308.2)	(149.2)
Life assurance profit after income tax	18	1,184.1	466.4
Retained in life assurance fund		492.4	83.9
Transferred to Profit and Loss Statement	18	691.7	382.5
		1,184.1	466.4

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

GENERAL INSURANCE REVENUE STATEMENT

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group	
		2012	2011
Income			
Gross premiums		246.3	219.6
less:			
Premiums ceded to reinsurers		89.3	85.8
Increase in unexpired risk reserve during the year	16	7.7	5.7
Net premiums		149.3	128.1
Commissions received from reinsurers		25.7	25.6
Investment income, net	4	12.9	10.2
Rental income, net		0.1	0.6
Gain on sale of investments and changes in fair value	5	4.5	1.8
Gain on exchange differences		0.1	0.4
Total income		192.6	166.7
less: Expenses			
Gross claims and increase in loss reserve		93.1	90.3
Claims ceded to reinsurers and changes in loss reserve ceded to reinsurers		(17.5)	(32.3)
Commissions and agency expenses		41.6	36.5
Management expenses		32.1	31.6
Depreciation		1.0	0.7
Total expenses		150.3	126.8
General insurance profit before income tax		42.3	39.9
Income tax		(7.9)	(10.6)
Profit from general insurance transferred to Profit and Loss Statement		34.4	29.3

The accompanying significant accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

Great Eastern Holdings Limited (the “Company” or “GEH”) is a limited liability company which is incorporated and domiciled in the Republic of Singapore. The notes refer to the Company and the Group unless otherwise stated. The registered office and principal place of business of the Company is located at 1 Pickering Street, #16-01, Great Eastern Centre, Singapore 048659.

The principal activity of the Company is that of an investment holding company. The principal activities of the significant subsidiaries within the Group are stated in Note 3. There have been no significant changes in the nature of these activities during the financial year.

The Company’s immediate and ultimate holding company is Oversea-Chinese Banking Corporation Limited (“OCBC Bank”), which prepares financial statements for public use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) and Interpretations of FRS (“INT FRS”) as required by the Companies Act, Chapter 50. The basis for preparation of the financial statements is fund accounting and the insurance fund profit that is transferred to the Group Profit and Loss Statements is determined in accordance with the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The accounting policies have been consistently applied by the Company and the Group and are consistent with those used in the previous financial year, except as disclosed below.

The financial statements are presented in Singapore Dollars (SGD or \$) and all values are rounded to the nearest \$0.1 million except as otherwise stated.

2.2 Changes in Accounting Policies

2.2.1 The Group and the Company have applied the following FRS and INT FRS with effect from 1 January 2012:

FRS	Title	Effective date (Annual periods beginning on or after)
FRS 107	Amendments to FRS 107 Disclosures – Transfers of Financial Assets	1 July 2011
FRS 12	Amendments to FRS 12 – Deferred Tax: Recovery of Underlying Assets	1 January 2012

The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group, except as disclosed below.

Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets

On 1 January 2012, the Group adopted the Amendments to FRS 12 Deferred Tax: Recovery of Underlying Assets.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.1 The Group and the Company have applied the following FRS and INT FRS with effect from 1 January 2012: (continued)

The Amendments to FRS 12 apply to the measurement of deferred tax liabilities and assets arising from investment properties measured using the fair value model under FRS 40, Investment Property, including investment property acquired in a business combination and subsequently measured using the fair value model. For the purposes of measuring deferred tax, the Amendments introduce a rebuttable presumption that the carrying amount of an investment property measured at fair value will be recovered entirely through sale. The presumption can be rebutted if the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits over time, rather than through sale.

The Group previously recognised deferred taxes on the change in fair value of investment properties on the basis that the carrying amounts of the investment properties are recovered through use. The management has assessed that the impact of the amendment to the financial statements is not material.

2.2.2 FRS and INT FRS not yet effective

The Group and the Company have not applied the following FRS and INT FRS that have been issued but which are not yet effective:

FRS	Title	Effective date (Annual periods beginning on or after)
FRS 1	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 19	Employee Benefits	1 January 2013
FRS 113	Fair Value Measurement	1 January 2013
FRS 107	Amendments to FRS 107 Disclosures – Offsetting of Financial Assets and Financial Liabilities	1 January 2013
Improvements to FRSs 2012	- Amendment to FRS 1 – Presentation of Financial Statements - Amendment to FRS 16 – Property, Plant and Equipment - Amendment to FRS 32 – Financial Instruments: Presentation	1 January 2013
FRS 27	Separate Financial Statements	1 January 2014
FRS 28	Investments in Associates and Joint Ventures	1 January 2014
FRS 110	Consolidated Financial Statements	1 January 2014
FRS 111	Joint Arrangements	1 January 2014
FRS 112	Disclosure of Interests in Other Entities	1 January 2014
FRS 32	Amendments to FRS 32 – Offsetting of Financial Assets and Financial Liabilities	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.2 FRS and INT FRS not yet effective (continued)

Except for the Amendments to FRS 1, FRS 110 and revised FRS 27, FRS 112 and FRS 113, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1, FRS 110 and revised FRS 27, FRS 112 and FRS 113 are described below.

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The Amendments to FRS 1 Presentation of Items of Other Comprehensive Income (OCI) are effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 change the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentation of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements

FRS 110 and the revised FRS 27 are effective for financial periods beginning on or after 1 January 2014.

FRS 110 establishes a single control model that applies to all entities (including special purpose entities). The changes introduced by FRS 110 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group. The revised FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

The Group is currently determining the impact of the changes to control and expect that the adoption of FRS 110 in 2014 will likely lead to more entities being consolidated by the Group.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact on the financial position and financial performance of the Group when implemented in 2014.

FRS 113 Fair Value Measurement

FRS 113 is effective for financial periods beginning on or after 1 January 2013.

FRS 113 provides a single source of guidance for all fair value measurements. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted by FRS.

The Group is currently assessing the impact of FRS 113.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of Consolidation and Business Combinations

2.3.1 Basis of Consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Company's significant subsidiaries is shown in Note 3.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired was recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Basis of Consolidation and Business Combinations (continued)

2.3.2 Business Combinations

Business combinations from 1 January 2010

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.23. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

2.4 Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Associates and Joint Ventures

Associates are entities over which the Group has significant influence. Joint ventures are contractual arrangements whereby two or more parties undertake an economic activity that is subject to joint control, where the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Associates are equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence. Joint ventures are equity accounted for from the date the Group obtains joint control until the date the Group ceases to have joint control.

The Group's investments in associates and joint ventures are accounted for using the equity method. Under the equity method, the investments in associates and joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates and joint ventures. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate or joint venture.

The profit or loss reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognised in other comprehensive income by the associates or joint ventures, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates and joint ventures is the profit attributable to equity holders of the associate or joint venture and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint ventures. The Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and the respective carrying value and recognises the amount in the profit or loss.

The financial statements of the associates and joint ventures are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Transactions with Non-Controlling Interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to shareholders of the Company, and is presented separately in the Consolidated Profit and Loss Statement, Consolidated Statement of Comprehensive Income and within equity in the Consolidated Balance Sheet, separately from Shareholders' Equity.

Changes in the Company's shareholders' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to shareholders of the Company.

2.7 Foreign Currency Conversion and Translation

2.7.1 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Group's consolidated financial statements are presented in Singapore dollars, which is also the Company's functional and presentation currency.

2.7.2 Transactions and Balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Profit and Loss Statement or Revenue Statements except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation. Exchange differences on non-monetary items such as equity investments classified as available-for-sale financial assets are included in the fair value reserve in equity.

2.7.3 Consolidated Financial Statements

For consolidation purposes, the assets and liabilities of foreign operations are translated into Singapore dollars at the rate of exchange ruling at the end of the reporting period. The Profit and Loss Statement and Revenue Statements are translated at the exchange rates prevailing at the dates of the transactions. The exchange differences arising from the translation are recognised in the Statement of Comprehensive Income, Life Assurance Fund or General Insurance Fund as foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Foreign Currency Conversion and Translation (continued)

2.7.3 Consolidated Financial Statements (continued)

On disposal of a foreign operation, the cumulative amount of exchange differences recognised in other comprehensive income relating to that particular foreign operation is recognised in the Profit and Loss Statement or Revenue Statements as gain or loss on disposal of the operation.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences is re-attributed to non-controlling interest and is not recognised in profit and loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to the Profit and Loss Statement or Revenue Statements.

2.8 Insurance Contracts

2.8.1 Product Classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participating features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and contractually based on the:
 - Performance of a specified pool of contracts or a specified type of contract,
 - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
 - The profit or loss of the company, fund or other entity that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through the Revenue Statement. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through the Revenue Statement.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Insurance Contracts (continued)

2.8.1 Product Classification (continued)

For the purpose of FRS 104, the Group adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Group defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by insurance subsidiaries within the Group are considered insurance contracts as at the balance sheet date.

The insurance subsidiaries within the Group write insurance contracts in accordance with the local Insurance Regulations prevailing in the jurisdictions in which the insurance subsidiaries operate.

2.8.2 Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

- (a) Life Assurance Fund contract liabilities; comprising
 - Participating Fund contract liabilities;
 - Non-Participating Fund contract liabilities; and
 - Investment Linked Fund contract liabilities.
- (b) General Insurance Fund contract liabilities.
- (c) Reinsurance contracts.

2.8.3 Deferred Acquisition Costs

The Group does not defer acquisition costs relating to its insurance contracts.

2.8.4 Life Assurance Contract Liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the respective insurance regulations. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the Revenue Statements of the respective insurance funds.

Life assurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating policy, appropriate level of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefit liabilities of participating life policies and liabilities of non-unit investment-linked policies.

The liability in respect of a participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Insurance Contracts (continued)

2.8.4 Life Assurance Contract Liabilities (continued)

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, including an estimate of the incurred claims that have not yet been reported to the Group.

Adjustments to liabilities at each reporting date are recorded in the respective Revenue Statements. Profits originating from margins for adverse deviations on run-off contracts are recognised in the Revenue Statements over the lives of the contracts, whereas losses are fully recognised in the Revenue Statements during the first year of run-off.

The liability is extinguished when the contract expires, is discharged or is cancelled.

The Group issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Group to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Group.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Group. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Contracts which transfer insurance risk alone from policyholders to the Group are commonly known as investment linked policies. As part of the pricing for these contracts, the insurance subsidiaries within the Group include certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholders accrue directly to the policyholders.

A significant portion of insurance contracts issued by subsidiaries within the Group contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to investment performance of the fund. The Group does not recognise the guaranteed components separately from the discretionary participating features.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Insurance Contracts (continued)

2.8.4 Life Assurance Contract Liabilities (continued)

The valuation of insurance contract liabilities is determined according to:

- (a) Singapore Insurance Act (Chapter 142), Insurance (Valuation and Capital) Regulations 2004 for insurance funds regulated in Singapore (“MAS Regulations”); and
- (b) Malaysia Insurance Act and Regulations 1996 and Risk-Based Capital Framework for Insurers for insurance funds regulated in Malaysia.

Each insurance subsidiary within the Group is required by the Insurance Regulations and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation or bonus reserve valuation, depending on the jurisdiction in which the insurance subsidiary operates.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the Insurance Regulations of the respective jurisdiction in which the insurance subsidiary operates. The Group performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Group discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the Revenue Statement.

The Group issues investment linked contracts as an insurance contract which insure human life events such as death or survival over a long duration; coupled with an embedded derivative linking death benefit payments on the contract to the value of a pool of investments within the investment linked fund set up by the insurance subsidiary. As this embedded derivative meets the definition of an insurance contract it need not be separately accounted for from the host insurance contract. The liability valuation for such contracts is adjusted for changes in the fair value of the underlying assets at frequencies in accordance with the terms and conditions of the insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Insurance Contracts (continued)

2.8.4 Life Assurance Contract Liabilities (continued)

TABLE 2.8 below provides the key underlying assumptions used for valuation of life insurance contract liabilities.

	SINGAPORE	MALAYSIA
Valuation Method	<p>Gross Premium Valuation</p> <p>For Participating Fund, the method that produces the higher reserves of:</p> <ul style="list-style-type: none"> (i) Total assets backing policy benefits; (ii) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (iii) Guaranteed cashflows discounted using the interest rate outlined under (i) below. 	<p>Gross Premium Valuation</p> <p>For Participating Fund, the method that produces the higher reserves of:</p> <ul style="list-style-type: none"> (i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) For guaranteed cashflows, Malaysia Government Securities zero coupon spot yields (as outlined below).
Interest Rate (Note 1)	<ul style="list-style-type: none"> (i) Singapore Government Securities zero coupon spot yields for cash flows up to year 15, an interpolation of the 15-year Singapore Government Securities zero coupon spot yield and the Long Term Risk Free Discount Rate (LTRFDR) for cash flows between 15 to 20 years, and the LTRFDR for cash flows year 20 and after. (ii) For the fair value hedge portfolio, Singapore Government Securities zero coupon spot yields for cash flows up to year 30, the 30 year rate for cash flows beyond 30 years. Interpolation for years where rates are unavailable. <p>Data source: MAS website and Bloomberg</p>	<p>Malaysia Government Securities yields determined based on the following:</p> <ul style="list-style-type: none"> (i) For cashflows with duration less than 15 years, Malaysia Government Securities zero coupon spot yields of matching duration. (ii) For cashflows with duration 15 years or more, Malaysia Government Securities zero coupon spot yields of 15 years to maturity. <p>Data source: Bond Pricing Agency Malaysia</p>
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders	<p>Best estimates plus provision for adverse deviation (PADs).</p> <p>Data source: internal experience studies</p>	<p>Participating Fund, the method that produces the higher reserves of:</p> <ul style="list-style-type: none"> (i) Best estimates for total benefits (i.e. guaranteed and non-guaranteed cashflows), and (ii) Best estimates plus provision for risk of adverse deviation (PRADs) for guaranteed cashflows only. <p>Non-Participating and Non-Unit reserves of Investment Linked Fund:</p> <p>Best estimates plus provision for risk of adverse deviation (PRADs).</p> <p>Data source: internal experience studies</p>

Note 1: These interest rates are with reference to the latest available MAS Regulations on Valuation of Policy Liabilities of Life Business.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Insurance Contracts (continued)

2.8.5 General Insurance Fund Contract Liabilities

The Group issues short term property and casualty contracts which protect the policyholder against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contracts and/or business interruption contracts; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contracts. The Group also issues short term medical and personal accident general insurance contracts.

General insurance contract liabilities include liabilities for outstanding claims and unearned premiums.

Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other receivables. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the balance sheet date. The liability is calculated at the reporting date using a range of standard actuarial projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when contracts expire, are discharged or are cancelled.

The provision for unearned premiums represents premiums received for risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged. The provision is released over the terms of the contracts and is recognised as premium income.

The valuation of general insurance contract liabilities at balance sheet date is based on best estimates of the ultimate settlement cost of claims plus a provision for adverse deviation. For both Singapore and Malaysia, as required by the local Insurance Regulations, the provision for adverse deviation is set at 75% sufficiency. For Singapore, the valuation methods used include the Paid Claim Development method, the Incurred Claim Development method, the Paid Bornhuetter-Ferguson Method and the Incurred Bornhuetter-Ferguson Method. For Malaysia, the valuation methods used include the Link Ratio Method, the Bornhuetter-Ferguson Method and the Loss Ratio Method.

2.8.6 Reinsurance Contracts

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive part or all outstanding amounts due under the terms of the contract. The impairment loss is recorded in the Revenue Statement. Gains or losses on reinsurance are recognised in the Revenue Statement immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Insurance Contracts (continued)

2.8.6 Reinsurance Contracts (continued)

The Group also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.9 Profit from Insurance Funds

Profit derived from the insurance funds is categorised as follows:

2.9.1 Life Assurance – Participating Fund

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund) parameters which are set out in the Insurance Regulations of the respective jurisdiction in which the insurance subsidiaries operate. The provisions in the Articles of Association of the insurance subsidiaries within the Group are applied in conjunction with the prescriptions in the respective Insurance regulations, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholder bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the Board of Directors of each insurance subsidiary under the advice of the Appointed Actuary of the respective insurance subsidiary, in accordance with the Insurance Regulations and the Articles of Association of the respective insurance subsidiaries.

2.9.2 Life Assurance – Non-Participating Fund

Revenue consists of premiums, investment and interest income; including fair value movements of certain assets as prescribed by the appropriate Insurance Regulations. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit or loss from the non-participating fund is determined from the revenue and expenses of the non-participating fund and the results of the annual actuarial valuation of the liabilities in accordance with the requirements of the Insurance Regulations of the respective jurisdictions in which the insurance subsidiaries operate. In addition, profit transfers from the Singapore and Malaysia non-participating funds include the fair value change of asset values measured in accordance with the Insurance Regulations of the respective insurance subsidiaries.

2.9.3 Life Assurance – Investment-Linked Fund

Revenue essentially consists of bid-ask spread and fees for mortality and other insured events, asset management, policy administration and surrender charges. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Profit is derived from revenue net of expenses and provision for the annual actuarial valuation of liabilities in accordance with the requirements of the Insurance Regulations, in respect of the non-unit-linked part of the fund.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Profit from Insurance Funds (continued)

2.9.4 General Insurance Fund

Revenue consists of premiums and investment income. Expenses include reinsurance costs, acquisition costs, benefit payments and management expenses. Loss reserves or reserves for claims incurred but not reported are reviewed and provisions made at each reporting date. The sum of premium, expenses and reserves is underwriting performance for the period. Investment and interest income include changes in fair value of assets valued in accordance with the requirements of the appropriate Insurance Regulations. Profit or loss from the General Insurance Fund is derived from the sum of underwriting and investment performance.

2.10 Recognition of Income and Expense

2.10.1 Premiums and Commissions

Life Assurance Business

Recurring premiums from policyholders are recognised as revenue on their respective payment due dates. Single premiums are recognised on the dates on which the policies are effective. Premiums from the investment-linked business are recognised as revenue when payment is received.

General Insurance Business

Premiums from the general insurance business are recognised as revenue upon commencement of insurance cover, in the General Insurance Revenue Statement. Premiums pertaining to periods outside of the financial reporting period are adjusted through the movement in unexpired risk reserve. Commission is recognised as an expense when incurred, typically upon the risk underwritten as reflected in the premium recognised.

Premiums ceded out and the corresponding commission income from general insurance contracts are recognised in the General Insurance Revenue Statement upon receipt of acceptance confirmation from the ceding company or in accordance with provisions incorporated in the treaty contracts. Premiums ceded out pertaining to periods outside of the financial reporting period are adjusted through the movement in unexpired risk reserve.

2.10.2 Interest Income

Interest income is recognised using the effective interest method.

2.10.3 Dividend Income

Dividend income is recognised as investment income when the Group's right to receive the payment is established. Dividend income from the Company's subsidiaries is recognised when the dividend is declared payable.

2.10.4 Rental Income

Rental income from operating leases is recognised on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Recognition of Income and Expense (continued)

2.10.5 Gain/Loss on Sale of Investments -

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

2.10.6 Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment test for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to projected future cash flows after the fifth year.

Impairment losses on continuing operations are recognised in the Revenue Statements or Profit and Loss Statement.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the Revenue Statements or Profit and Loss Statement.

2.10.7 Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Recognition of Income and Expense (continued)

2.10.7 Impairment of Financial Assets (continued)

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the Profit and Loss Statement or Revenue Statements.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amount charged to the allowance account is written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the Revenue Statements or Profit and Loss Statement.

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Recognition of Income and Expense (continued)

2.10.7 Impairment of Financial Assets (continued)

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, which indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period for which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the Revenue Statements or Profit and Loss Statement, is transferred from other comprehensive income and recognised in the Revenue Statements or Profit and Loss Statement. Reversals of impairment losses in respect of equity instruments are not recognised in the Revenue Statements or Profit and Loss Statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Revenue Statements or Profit and Loss Statement, the impairment loss is reversed in the Revenue Statements or Profit and Loss Statement.

2.10.8 Fees and Other Income

Fees and other income comprise mainly of management and advisory fee income. Management and advisory fee income includes income earned from the provision of administration services, investment management services, surrenders and other contract fees. This fee income is recognised as revenue over the period in which the services are rendered. If the fees are for services to be provided in future periods, then they are deferred and recognised over those periods.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Recognition of Income and Expense (continued)

2.10.9 Employee Benefits

Defined Contribution Plans under Statutory Regulations

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore and Malaysia companies in the Group make contributions respectively to the Central Provident Fund and Employees' Provident Fund, which are defined contribution pension schemes. These contributions are recognised as an expense in the period in which the service is rendered.

Employee Leave Entitlements

An employee's entitlement to annual leave and long-service leave is estimated and accrued according to the Group's Human Resource policy.

Share Options

Senior executives of the Group are granted share options in the OCBC Bank's Share Option Scheme as consideration for services rendered. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the Profit and Loss Statement or Revenue Statements of the respective insurance funds, with a corresponding increase in the intercompany balance with the holding company, over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Group or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the Profit and Loss Statement or Revenue Statements upon cancellation.

Deferred Share Plan

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Group are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). There are 2 types of deferred share awards. Deferred share awards granted as part of long term incentive compensation will vest three years from the grant date and will lapse if the staff ceases employment during the vesting period. For deferred share awards granted as part of variable performance bonus, half of the share awards will vest two years from the grant date and the remaining half will vest at the end of three years from the grant date. The cost of the DSP is recognised in the Profit and Loss Statement or Revenue Statements on the straight-line basis over the vesting period of the DSP.

At each balance sheet date, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and/or lapsed.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Recognition of Income and Expense (continued)

2.10.10 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

As Lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the leased item are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term. The accounting policy for rental income is set out in Note 2.10.4.

As Lessee

Operating lease payments are recognised as an expense in the Profit and Loss Statement or Revenue Statements on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.11 Taxes

2.11.1 Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.11.2 Deferred Tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Exceptions include:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Taxes (continued)

2.11.2 Deferred Tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to taxable income in the year when the asset is realised or the liability is settled, based on tax rates (and applicable tax laws and jurisdictions) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Taxes (continued)

2.11.3 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.13 Unexpired Risk Reserve

Unexpired Risk Reserve ("URR") represents the portion of the written premiums of general insurance policies, gross of commission payable to intermediaries attributable to periods after the financial period, in the form of unearned premium. The change in the provision for unearned premium is taken to the Revenue Statements in order that revenue is recognised over the period of risk exposure. Further provisions are made for claims anticipated under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

URR is computed using the 1/24th method and is reduced by the corresponding percentage of gross direct business, commissions and agency related expenses not exceeding limits specified by regulators in the respective jurisdictions in which the Group operates.

2.14 Policy Benefits

Policy benefits are recognised when the policyholder exercises the option to deposit the survival benefits with the life assurance subsidiary companies when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the life assurance subsidiary companies. Interest payable on policy benefits is recognised in the Revenue Statements as incurred.

2.15 Claims Admitted or Intimated

Full provision is made for the estimated cost of all life assurance claims notified but not settled at balance sheet date. Provision is made for estimated claims incurred but not reported for all classes of general insurance business written.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments with maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

2.17 Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the Revenue Statements. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Notes 2.18 and 2.22 have been met.

2.18 Financial Assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual obligations of the financial asset. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

2.18.1 Financial Assets at Fair Value through Revenue Statements of Insurance Funds and Profit and Loss Statement

Financial assets at fair value through Revenue Statements of Insurance Funds and Profit and Loss Statement include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets held for trading are derivatives, financial instruments with embedded derivatives or assets acquired principally for the purpose of selling in the short term and are not designated as hedging instruments in hedge relationships as defined by FRS 39.

Investments held by the investment-linked funds are designated as fair value through profit and loss at inception as they are managed and evaluated on a fair value basis, in accordance with the respective investment strategy and mandate.

Derivatives are financial instruments or contracts where the values vary according to changes in interest rate, foreign exchange rate, credit spreads or other variable. The Group uses derivatives such as interest rate swaps and foreign exchange contracts for risk mitigation. Financial instruments with embedded derivatives are hybrid financial instruments that include also a non-derivative host contract.

Subsequent to initial recognition, financial assets at fair value through Revenue Statements of Insurance Funds and Profit and Loss Statement are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the Revenue Statements of Insurance Funds or Profit and Loss Statement.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Financial Assets (continued)

2.18.2 Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in the Revenue Statements of Insurance Funds and Profit and Loss Statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.18.3 Available-for-sale Financial Assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in the fair value reserve in the Statement of Comprehensive Income or Insurance Funds, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in the Revenue Statements of Insurance Funds or Profit and Loss Statement accordingly. The cumulative gain or loss previously recognised in equity is recognised in the Revenue Statements of Insurance Funds and Profit and Loss Statement when the financial asset is derecognised.

Unquoted equity securities whose fair value cannot be reliably measured are measured at cost less impairment losses.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the Revenue Statements of Insurance Funds and Profit and Loss Statement.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Hedge Accounting

The Group applies hedge accounting for hedges of net investments in foreign operations. At the inception of a hedging relationship, the Group formally designates and documents the hedging relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

For hedges of net investments in foreign operations, gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as other comprehensive income while any gains or losses relating to the ineffective portion are recognised in the Profit and Loss Statement or Revenue Statements. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Profit and Loss Statement or Revenue Statements.

The Group uses forward currency contracts as hedges of its exposure to foreign exchange risk on its investments in foreign subsidiaries.

2.20 Financial Liabilities

Initial recognition and measurement

Financial liabilities within the scope of FRS 39 are recognised when, and only when the Group becomes a party to the contractual obligations of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

The Group's financial liabilities include other creditors and interfund payables, insurance payables and insurance contract liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

2.20.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities held for trading are acquired for the purpose of selling in the near term and includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the Profit and Loss Statement or Revenue Statements.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Financial Liabilities (continued)

2.20.2 Other Financial Liabilities

After initial recognition, other financial liabilities (except for financial guarantees) are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Profit and Loss Statement or Revenue Statements.

2.21 Determination of Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on the balance sheet date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual, and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

The fair value of floating rate and overnight deposits with financial institutions is their carrying value. The carrying cost is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the investment or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Financial Instruments: Derecognition of Financial Assets and Liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual right to receive cash flows from the asset has expired; or
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.23 Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the Revenue Statements or Profit and Loss Statement. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Goodwill (continued)

Goodwill and fair value adjustments which arose on acquisitions of foreign subsidiaries before 1 January 2005 are deemed to be assets and liabilities of the parent company and are recorded in SGD at the rates prevailing at the date of acquisition.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the balance sheet date.

2.24 Assets Held For Sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

2.25 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Such cost includes the cost of replacing part of the property, plant and equipment. The cost is recognised as an asset, if and only if, it can be reliably measured and it is probable that future economic benefits associated with the item will flow to the Group.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives.

Freehold land has an unlimited useful life and is not depreciated. No depreciation is provided for 999-year leasehold land. No depreciation is provided on capital works in progress as the assets are not yet available for use.

Depreciation of an asset begins when it is available for use and is calculated on a straight-line basis over the estimated useful life of an asset. The useful lives are as follows:

Leasehold land	Term of lease, up to 99 years
Buildings	50 years
Office furniture, fittings and equipment	5 to 10 years
Renovation	3 to 5 years
Computer equipment and software development costs	3 to 10 years
Motor vehicles	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Property, Plant and Equipment (continued)

The residual values, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate. This is to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the Profit and Loss Statement or Revenue Statements in the year the asset is derecognised.

2.26 Investment Properties

Investment properties are properties that are owned by the Group in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Subsequent to initial recognition, investment properties are measured at fair value which reflects market conditions at the balance sheet date. Gains or losses arising from changes in the fair values of investment properties are recognised in the Profit and Loss Statement or Revenue Statements in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains or losses on the retirement or disposal of an investment property are recognised in the Profit and Loss Statement or Revenue Statements in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.25 up to the date of change in use.

2.27 Provision for Agents' Retirement Benefits

Provision for agents' retirement benefits is set aside for agents from the Malaysian operations and is calculated in accordance with the terms and conditions in the respective Life Assurance Sales Representative's Agreement. The terms and conditions of the Agreement stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the agent shall be allocated a deferred benefit/retirement benefit. The deferred benefit/retirement benefit accumulated at Balance Sheet date includes accrued interest. The accrued deferred benefit shall only become payable provided the Agreement has been in force for certain continuous contract years and the agent has attained the minimum retirement age stipulated in the Agreement.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Related Parties

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

- (b) An entity is related to the Group and the Company if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

In the Company's financial statements, loans to subsidiaries are interest-free and stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investment in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest method. The unwinding of the difference is recognised as interest expense in the Profit and Loss Statement over the expected repayment period.

2.29 Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services. The management regularly reviews the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 Share Capital and Share Issuance Expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.31 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair values can be reliably determined.

2.32 Critical Accounting Estimates and Judgments

In the preparation of the Group's financial statements, management makes estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Estimates, assumptions and judgments are continually evaluated and based on internal studies of actual or historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

2.32.1 Critical Accounting Estimates and Assumptions

(a) Liabilities of insurance business

The estimation of the ultimate liability arising from claims made under life and general insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Group will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality tables which represent historical mortality experience, and makes appropriate adjustments for its respective risk exposures in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to insurance fund contract liabilities. The carrying value of life insurance contract liabilities as at 31 December 2012 amounted to \$41,484.0 million (31 December 2011: \$39,289.7 million).

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Critical Accounting Estimates and Judgments (continued)

2.32.1 Critical Accounting Estimates and Assumptions (continued)

(a) Liabilities of insurance business (continued)

For general insurance contracts, estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported at the balance sheet date ("IBNR").

It can take a significant time before the ultimate claims costs can be established with certainty and for some type of policies, IBNR claims form the majority of the balance sheet liability. The ultimate cost of outstanding claims is estimated using a range of standard actuarial claims projection techniques such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that a company's past development experience can be used to project future claims development and hence, ultimate claim costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years but can also be further analysed by significant business lines and claims type. Large claims are usually separately addressed, either by being reserved at the face of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Additional qualitative judgment is used to assess the extent to which past trends may not apply in future, (for example, to reflect one-off occurrences, changes in external or market factors, economic conditions as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all uncertainties involved. The carrying value of general insurance contract liabilities as at 31 December 2012 amounted to \$115.9 million (31 December 2011: \$116.1 million).

(b) Share option costs

The Group calculates the fair value of share options using the binomial model which requires input of certain variables which are determined based on assumptions made. Further details are provided in Note 31.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made. The carrying amount of the income tax and deferred tax provisions as at 31 December 2012 amounted to \$1,557.7 million (31 December 2011: \$1,363.8 million).

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Critical Accounting Estimates and Judgments (continued)

2.32.1 Critical Accounting Estimates and Assumptions (continued)

(d) Provision for agents' retirement benefits

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions of the agreement, which stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Group shall allocate to the agent a deferred benefit/retirement benefit. Interest is accrued based on an estimated rate at the end of the financial year on the accumulated deferred benefit/retirement benefit with an adjustment made subsequent to year end for changes in certain statutory dividend rates. Additional provision is made to cover estimated liability for future benefits payable in the event of death, disability, investment returns and benefits payable. The agents' retirement benefit becomes vested and payable upon fulfillment of the stipulated conditions.

Judgment is required to estimate the provision to be made, based upon the likely fulfillment of the conditions and occurrence of the claimable event. At each reporting year, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the provision. The carrying amount of agents' retirement benefits as at 31 December 2012 amounted to \$245.2 million (31 December 2011: \$231.3 million).

2.32.2 Critical Judgments in Applying Accounting Policies

(a) Impairment of goodwill

The Group conducts impairment tests on the carrying value of goodwill in accordance with the accounting policy stated in Note 2.23. The recoverable amounts of cash-generating units are determined based on the value-in-use method, which adopts a discounted cash flow approach on projections, budgets and forecasts over a 5-year period. Cash flows beyond the fifth year are extrapolated using estimated terminal growth rates not exceeding the long-term average growth of the industry and country in which the cash-generating unit operates. The discount rates applied to the cash flow projections are derived from the Group's weighted average cost of capital at the date of assessment. Changes to the assumptions, particularly the discount rate and terminal growth rate, may significantly affect the results of the impairment test. Further details of the key assumptions applied in the impairment assessment of goodwill are provided in Note 28.

(b) Impairment of loans and receivables

The Group determines impairment of loans by calculating the present value of future recoverable cash flows and the fair value of the underlying collaterals for impaired loans against the carrying value of the loans. The future recoverable cash flows are determined based on credit assessment on a loan-by-loan basis for impaired loans.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.32 Critical Accounting Estimates and Judgments (continued)

2.32.2 Critical Judgments in Applying Accounting Policies (continued)

(c) Impairment of available-for-sale financial assets

The Group reviews its debt securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

(d) Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Group. The Group exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Group is required to pay significant additional benefits in excess of amounts payable when the insured event occurs. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

(e) Property classification

The Group adopts certain criteria based on FRS 40, Investment Property in determining whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased separately under a finance lease), the Group would account for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

NOTES TO THE FINANCIAL STATEMENTS

3 SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

	Country of Incorporation	Principal Activities	Effective interest held by GEH	
			2012 %	2011 %
(i) SIGNIFICANT SUBSIDIARIES				
<u>Held by the Company</u>				
The Great Eastern Life Assurance Company Limited ^(3.1)	Singapore	Life assurance	100.0	100.0
The Overseas Assurance Corporation Limited ^(3.1)	Singapore	Composite insurance	100.0	100.0
Lion Global Investors Limited ^(3.1)	Singapore	Asset management	70.0	70.0
The Great Eastern Trust Private Limited ^(3.1)	Singapore	Investment holding	100.0	100.0
<u>Held through subsidiaries</u>				
Great Eastern Life Assurance (Malaysia) Berhad ^(3.2)	Malaysia	Life assurance	100.0	100.0
Overseas Assurance Corporation (Malaysia) Berhad ^(3.2)	Malaysia	General insurance	100.0	100.0
P.T. Great Eastern Life Indonesia ^(3.2)	Indonesia	Life assurance	99.2	99.2
Straits Eastern Square Private Limited ^(3.1)	Singapore	Property development and investment	100.0	100.0
Great Eastern Life (Vietnam) Company Limited ^(3.2)	Vietnam	Life assurance	100.0	100.0
218 Orchard Private Limited ^(3.1)	Singapore	Property development and investment	100.0	100.0
Great Eastern Takaful Sdn Bhd ^(3.2)	Malaysia	Family Takaful business	70.0	70.0
(ii) SIGNIFICANT ASSOCIATES				
<u>Held through subsidiaries</u>				
Fairfield Investment Fund Ltd ^(3.3)	British Virgin Islands	Collective investment scheme	45.8	45.8
Ascendas China Commercial Fund ^(3.3)	Singapore	Real Estate Investment Trust	28.5	28.5
Lion Indian Real Estate Fund ^(3.3)	Cayman Islands	Real Estate Investment Trust	45.5	45.5
LionGlobal Target Return Fund ^{(3.3) & (3.4)}	Singapore	Unit Trust	-	50.0
(iii) SIGNIFICANT JOINT VENTURES				
<u>Held through subsidiaries</u>				
Great Eastern Life Assurance (China) Company Limited ^(3.3)	People's Republic of China	Life assurance	50.0	50.0

^(3.1) Audited by Ernst & Young LLP, Singapore.

^(3.2) Audited by member firms of Ernst & Young Global in the respective countries.

^(3.3) Audited by PricewaterhouseCoopers.

^(3.4) During the year, the Group disposed of its interests in the fund and ceased to account for it as an associated company.

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT INCOME, NET

in Singapore Dollars (millions)	Note	Group				Company			
		Shareholders' and General		Life Assurance					
		Total	Insurance Funds	Fund		2012	2011	2012	2011
		2012	2011	2012	2011	2012	2011	2012	2011
4.1 Profit and Loss Statements									
Dividend income									
- Investments									
Available-for-sale financial assets		39.5	32.6	39.5	32.6	-	-	-	-
		39.5	32.6	39.5	32.6	-	-	-	-
Interest income									
- Investments									
Available-for-sale financial assets		65.3	56.0	65.3	56.0	-	-	-	-
Financial assets at fair value through profit and loss statements		2.5	1.3	2.5	1.3	-	-	-	-
- Loans and receivables		5.4	7.3	5.4	7.3	-	-	-	-
		73.2	64.6	73.2	64.6	-	-	-	-
		112.7	97.2	112.7	97.2	-	-	-	-
less: Investment related expenses		(1.3)	(0.8)	(1.3)	(0.8)	-	-	-	-
		111.4	96.4	111.4	96.4	-	-	-	-

4.2 Life Assurance Revenue Statement

Dividend income									
- Investments									
Available-for-sale financial assets		328.1	325.9	-	-	328.1	325.9	-	-
Financial assets at fair value through profit and loss statements		83.8	83.7	-	-	83.8	83.7	-	-
		411.9	409.6	-	-	411.9	409.6	-	-
Interest income									
- Investments									
Available-for-sale financial assets		1,047.6	1,022.0	-	-	1,047.6	1,022.0	-	-
Financial assets at fair value through profit and loss statements		131.4	108.4	-	-	131.4	108.4	-	-
- Loans and receivables		221.5	225.7	-	-	221.5	225.7	-	-
		1,400.5	1,356.1	-	-	1,400.5	1,356.1	-	-
		1,812.4	1,765.7	-	-	1,812.4	1,765.7	-	-
less: Investment related expenses		(94.2)	(89.8)	-	-	(94.2)	(89.8)	-	-
		1,718.2	1,675.9	-	-	1,718.2	1,675.9	-	-

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT INCOME, NET (continued)

in Singapore Dollars (millions)	Note	Group						Company	
		Shareholders' and General				Life Assurance		2012	2011
		Total		Insurance Funds		Fund			
2012	2011	2012	2011	2012	2011	2012	2011		
Dividend income									
- Investments									
Available-for-sale financial assets		0.4	0.6	0.4	0.6	-	-	-	-
		0.4	0.6	0.4	0.6	-	-	-	-
Interest income									
- Investments									
Available-for-sale financial assets		12.3	9.1	12.3	9.1	-	-	-	-
Financial assets at fair value through profit and loss statements		0.1	-	0.1	-	-	-	-	-
- Loans and receivables		0.4	0.8	0.4	0.8	-	-	-	-
		12.8	9.9	12.8	9.9	-	-	-	-
		13.2	10.5	13.2	10.5	-	-	-	-
less: Investment related expenses		(0.3)	(0.3)	(0.3)	(0.3)	-	-	-	-
		12.9	10.2	12.9	10.2	-	-	-	-

During the year ended 31 December 2012, the total dividend and interest income for financial assets that are not classified at fair value through profit and loss amounted to \$110.2 million, \$1,597.2 million and \$13.1 million for the Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement respectively (2011: \$95.9 million, \$1,573.6 million and \$10.5 million).

5 GAIN/(LOSS) ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE

in Singapore Dollars (millions)	Note	Group						Company	
		Shareholders' and General				Life Assurance		2012	2011
		Total		Insurance Funds		Fund			
2012	2011	2012	2011	2012	2011	2012	2011		
Realised gain from sale of investments		0.9	18.8	0.9	18.8	-	-	-	-
Amount transferred from Statement of Comprehensive Income on sale of investments		493.7	22.8	493.7	22.8	-	-	-	-
Changes in fair value of held-for- trading investments		68.3	(51.5)	68.3	(51.5)	-	-	-	-
		562.9	(9.9)	562.9	(9.9)	-	-	-	-

5.1 Profit and Loss Statements

NOTES TO THE FINANCIAL STATEMENTS

5 GAIN/(LOSS) ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE (continued)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Realised gain from sale of investments		87.4	19.7	-	-	87.4	19.7	-	-
Amount transferred from Fair Value Reserve on sale of investments	18	1,817.9	196.2	-	-	1,817.9	196.2	-	-
Changes in fair value of investments									
- fair value through revenue statement		300.7	(257.6)	-	-	300.7	(257.6)	-	-
- held-for-trading		186.0	(185.1)	-	-	186.0	(185.1)	-	-
		486.7	(442.7)	-	-	486.7	(442.7)	-	-
Changes in fair value of investment properties	29	129.5	52.4	-	-	129.5	52.4	-	-
		2,521.5	(174.4)	-	-	2,521.5	(174.4)	-	-

5.3 General Insurance Revenue Statement

Realised gain/(loss) from sale of investments		3.3	(4.5)	3.3	(4.5)	-	-	-	-
Amount transferred from Fair Value Reserve on sale of investments	17	1.4	6.4	1.4	6.4	-	-	-	-
Changes in fair value of held-for-trading investments		(0.2)	(0.4)	(0.2)	(0.4)	-	-	-	-
Changes in fair value of investment properties	29	-	0.3	-	0.3	-	-	-	-
		4.5	1.8	4.5	1.8	-	-	-	-

6 PROVISIONS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Balance at the beginning and end of the year	22	2.1	2.1	2.1	2.1	-	-	-	-

6.1 Provision for impairment of secured loans

NOTES TO THE FINANCIAL STATEMENTS

6 PROVISIONS (continued)

in Singapore Dollars (millions)	Note	Group						Company	
		Shareholders' and General				Life Assurance		2012	2011
		Total		Insurance Funds		Fund			
2012	2011	2012	2011	2012	2011	2012	2011		
6.2 Provision for impairment of quoted equity securities									
Balance at the beginning of the year		64.4	65.4	1.4	0.3	63.0	65.1	-	-
Increase in provision for the year		9.0	27.3	0.2	1.3	8.8	26.0	-	-
Utilised during the year		(19.5)	(28.3)	-	(0.2)	(19.5)	(28.1)	-	-
Balance at the end of the year	24	53.9	64.4	1.6	1.4	52.3	63.0	-	-
6.3 Provision for impairment of unquoted equity securities									
Balance at the beginning of the year		34.2	30.7	-	-	34.2	30.7	-	-
Increase in provision for the year		0.4	4.0	-	-	0.4	4.0	-	-
Utilised during the year		(0.3)	(0.5)	-	-	(0.3)	(0.5)	-	-
Balance at the end of the year	24	34.3	34.2	-	-	34.3	34.2	-	-
6.4 Provision for impairment of quoted debt securities									
Balance at the beginning and end of the year	24	0.2	0.2	-	-	0.2	0.2	-	-
6.5 Provision for impairment of unquoted debt securities									
Balance at the beginning of the year		2.8	22.9	2.8	6.1	-	16.8	-	-
(Decrease)/increase in provision for the year		-	(16.6)	-	0.3	-	(16.9)	-	-
Utilised during the year		-	(3.5)	-	(3.6)	-	0.1	-	-
Balance at the end of the year	24	2.8	2.8	2.8	2.8	-	-	-	-
6.6 Provision for impairment of collective investment schemes									
Balance at the beginning of the year		4.3	2.7	1.2	0.9	3.1	1.8	-	-
Increase in provision for the year		0.4	2.9	-	0.3	0.4	2.6	-	-
Utilised during the year		(1.5)	(1.3)	(0.2)	-	(1.3)	(1.3)	-	-
Balance at the end of the year	24	3.2	4.3	1.0	1.2	2.2	3.1	-	-

NOTES TO THE FINANCIAL STATEMENTS

6 PROVISIONS (continued)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
6.7 Provision for impairment of unsecured loan to subsidiary companies									
Balance at the beginning of the year		-	-	-	-	-	-	7.0	5.4
Increase in provision for the year		-	-	-	-	-	-	-	1.6
Balance at the end of the year	21	-	-	-	-	-	-	7.0	7.0

6.8 Provision for impairment of property, plant and equipment

Balance at the beginning and end of the year		93.5	93.5	0.3	0.3	93.2	93.2	-	-
Increase in provision for impairment of assets for the year		9.8	17.6	0.2	1.9	9.6	15.7	-	1.6

7 PROVISION FOR AGENTS' RETIREMENT BENEFITS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Balance at the beginning of the year		231.3	216.2	-	-	231.3	216.2	-	-
Currency translation reserve adjustment		(5.9)	(4.2)	-	-	(5.9)	(4.2)	-	-
Increase in provision for the year		34.4	31.2	-	-	34.4	31.2	-	-
Paid during the year		(14.6)	(11.9)	-	-	(14.6)	(11.9)	-	-
Balance at the end of the year		245.2	231.3	-	-	245.2	231.3	-	-

As at 31 December 2012, \$63.8 million (2011: \$59.9 million) of the above provision for agents' retirement benefits is payable within one year.

NOTES TO THE FINANCIAL STATEMENTS

8 ADDITIONAL PROFIT & LOSS DISCLOSURES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Fees paid to auditors		1.7	1.7	0.8	0.9	0.9	0.8	0.2	0.4
Audit fees paid to Auditors of the Company		0.7	0.8	0.4	0.4	0.3	0.4	0.2	0.2
Audit fees paid to other auditors		0.7	0.6	0.2	0.2	0.5	0.4	-	-
Non-audit fees paid to Auditors of the Company		0.2	0.3	0.1	0.3	0.1	-	-	0.2
Non-audit fees paid to other auditors		0.1	-	0.1	-	-	-	-	-
Staff costs and related expenses (including executive directors and key management personnel compensation)		246.1	235.8	87.7	84.6	158.4	151.2	1.4	0.8
Salaries, wages, bonuses and other costs		220.7	211.6	79.9	77.7	140.8	133.9	1.3	0.8
Central Provident Fund / Employee Provident Fund		23.0	20.7	6.3	5.1	16.7	15.6	0.1	-
Share-based payments		2.4	3.5	1.5	1.8	0.9	1.7	-	-
Rental expense		22.0	20.4	7.8	7.0	14.2	13.4	0.3	0.3
Fee income		62.1	64.0	62.1	64.0	-	-	-	-
Fund management fee		61.8	63.8	61.8	63.8	-	-	-	-
Financial advisory fee		0.3	0.2	0.3	0.2	-	-	-	-
(Gain)/loss on disposal of property, plant and equipment, assets held for sale and investment properties		(1.1)	(0.6)	(0.4)	0.1	(0.7)	(0.7)	-	-
Assets held for sale		(0.4)	0.1	(0.4)	0.1	-	-	-	-
Investment properties		(0.7)	(0.7)	-	-	(0.7)	(0.7)	-	-
Depreciation		49.9	47.7	3.2	2.6	46.7	45.1	0.1	0.1
Interest expense on policy benefits		100.5	90.4	-	-	100.5	90.4	-	-

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX

Major components of income tax expense

The major components of income tax expense for the periods ended 31 December 2012 and 2011 are:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011	2012	2011
Profit and Loss or Revenue Statements:									
Current income tax:									
- Current income taxation		454.5	241.4	192.3	89.0	262.2	152.4	-	-
- Over provision in respect of previous years		(89.7)	(6.6)	(8.5)	(3.5)	(81.2)	(3.1)	-	-
		364.8	234.8	183.8	85.5	181.0	149.3	-	-
Deferred income tax:									
- Origination and reversal of temporary differences		125.2	(1.7)	(2.0)	(1.6)	127.2	(0.1)	-	-
		125.2	(1.7)	(2.0)	(1.6)	127.2	(0.1)	-	-
Total tax charge for the year recognised in Profit and Loss or Revenue Statements									
		490.0	233.1	181.8	83.9	308.2	149.2	-	-
Deferred tax for the year, on fair value changes on available-for-sale investments, charged directly to other comprehensive income and to the Insurance Funds:									
- equity		22.3	15.9	22.3	15.9	-	-	-	-
- insurance funds	17, 18	(29.3)	(20.9)	(0.3)	(0.4)	(29.0)	(20.5)	-	-

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX (continued)

Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 is as follows:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Profit before income tax		1,372.4	473.5	1,372.4	473.5	-	-	505.7	300.1
General insurance profit before income tax		42.3	39.9	42.3	39.9	-	-	-	-
Life assurance profit before income tax		1,492.3	615.6	-	-	1,492.3	615.6	-	-
Tax at the domestic rates applicable to profits in the countries where the Group operates		409.0	169.2	265.8	111.0	143.2	58.2	86.0	51.0
<u>Adjustments:</u>									
Tax effect of net surplus transferred to Shareholders' Fund		(69.5)	(22.4)	(69.5)	(22.4)	-	-	-	-
Tax effect of provision against future policyholders' bonus		130.1	0.5	-	-	130.1	0.5	-	-
Foreign tax paid not recoverable		17.0	15.8	2.1	1.6	14.9	14.2	-	-
Permanent differences		318.1	293.0	8.2	12.1	309.9	280.9	1.7	1.4
Tax exempt income		(230.0)	(223.3)	(18.4)	(17.7)	(211.6)	(205.6)	(87.7)	(52.4)
Deferred tax assets not recognised		5.0	7.0	2.1	2.7	2.9	4.3	-	-
Over provision in respect of previous years		(89.7)	(6.6)	(8.5)	(3.5)	(81.2)	(3.1)	-	-
Others		-	(0.1)	-	0.1	-	(0.2)	-	-
Income tax expense recognised in the Profit and Loss or Revenue Statements		490.0	233.1	181.8	83.9	308.2	149.2	-	-

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

Deferred Tax

Balance at the beginning of the year		945.9	949.8	87.8	105.9	858.1	843.9	-	-
Currency translation reserve adjustments		(8.2)	(7.2)	(1.3)	(1.0)	(6.9)	(6.2)	-	-
Deferred tax charge taken to Profit and Loss or Revenue Statements:									
Other temporary differences		(7.8)	(3.2)	(2.0)	(1.6)	(5.8)	(1.6)	-	-
Fair value changes		2.9	1.0	-	-	2.9	1.0	-	-
Provision against future policyholders' bonus		130.1	0.5	-	-	130.1	0.5	-	-
Deferred tax on fair value changes on available-for-sale investments		7.0	5.0	(22.0)	(15.5)	29.0	20.5	-	-
Balance at the end of the year		1,069.9	945.9	62.5	87.8	1,007.4	858.1	-	-

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX (continued)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Deferred taxes at 31 December related to the following:									
Balance Sheets									
<u>Deferred tax liabilities:</u>									
Differences in depreciation for tax purposes		7.6	8.9	0.7	0.3	6.9	8.6	-	-
Accrued investment income		1.0	0.6	0.1	0.1	0.9	0.5	-	-
Net unrealised gains on investments		277.6	269.1	15.4	37.9	262.2	231.2	-	-
Net accretion on fixed income investments		11.0	19.4	0.1	0.7	10.9	18.7	-	-
Undistributed bonus to policyholders		735.4	607.2	-	-	735.4	607.2	-	-
Differences in insurance items		50.6	51.8	50.6	51.8	-	-	-	-
Deferred tax liabilities		1,083.2	957.0	66.9	90.8	1,016.3	866.2	-	-
<u>Deferred tax assets:</u>									
Net unrealised loss on investments		0.1	-	0.1	-	-	-	-	-
Unutilised tax losses carried forward		-	1.9	-	-	-	1.9	-	-
Net amortisation on fixed income investments		9.8	9.2	3.3	3.0	6.5	6.2	-	-
Other accruals and provisions		3.4	-	1.0	-	2.4	-	-	-
Deferred tax assets		13.3	11.1	4.4	3.0	8.9	8.1	-	-
Net deferred tax liabilities		1,069.9	945.9	62.5	87.8	1,007.4	858.1	-	-
Profit and Loss Statements and Revenue Statements									
<u>Deferred tax liabilities:</u>									
Differences in depreciation for tax purposes		(1.3)	(1.2)	0.4	-	(1.7)	(1.2)	-	-
Accrued investment income		0.4	-	-	-	0.4	-	-	-
Net unrealised gains on investments		7.0	(4.1)	-	(7.6)	7.0	3.5	-	-
Net accretion on fixed income investments		-	2.0	-	0.1	-	1.9	-	-
Undistributed bonus to policyholders	18	130.1	0.5	-	-	130.1	0.5	-	-
<u>Deferred tax assets:</u>									
Net unrealised loss on investments		(0.5)	4.0	(0.5)	6.8	-	(2.8)	-	-
Unutilised tax losses carried forward		1.9	(1.6)	-	-	1.9	(1.6)	-	-
Net amortisation on fixed income investments		(9.0)	(1.5)	(0.9)	(1.1)	(8.1)	(0.4)	-	-
Other accruals and provisions		(3.4)	0.2	(1.0)	0.2	(2.4)	-	-	-
Deferred tax expense/(benefit)		125.2	(1.7)	(2.0)	(1.6)	127.2	(0.1)	-	-

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately \$20.9 million (2011: \$15.9 million) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

There are no unrecognised temporary differences relating to investments in subsidiaries and joint ventures.

NOTES TO THE FINANCIAL STATEMENTS

10 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

Diluted and basic earnings per share are the same as there are no dilutive potential ordinary shares.

The following reflects the profit for the year attributable to ordinary shareholders and the weighted average number of shares outstanding during the year, used in the computation of basic and diluted earnings per share for the years ended 31 December:

		Group	
		2012	2011
Profit attributable to ordinary shareholders for computation of basic and diluted earnings per share	(in millions of Singapore Dollars)	1,189.1	385.7
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share	(in millions)	473.3	473.3
Basic and diluted earnings per share	(in Singapore Dollars)	\$2.51	\$0.81

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

11 SHARE CAPITAL

	Group and Company			
	2012		2011	
	Number of shares	Amount \$'mil	Number of shares	Amount \$'mil
Ordinary shares: Issued and fully paid				
Balance at the beginning of the year	473,319,069	152.7	473,319,069	247.4
Capitalisation from accumulated profit	-	-	-	269.8
Cash distribution of 77 cents per ordinary share	-	-	-	(364.5)
Balance at the end of the year	473,319,069	152.7	473,319,069	152.7

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

In accordance with the Companies Act Cap. 50, the shares of the Company have no par value.

On 13 June 2011, the Company undertook a capital reduction and cash distribution exercise pursuant to the Shareholders' approval in an extraordinary general meeting held on 14 April 2011. \$269.8 million was capitalised from the accumulated profit of the Company and applied in paying up in full 473,319,069 new ordinary shares of the Company. The new shares arising from the capitalisation were cancelled immediately upon their issue and allotment. The enlarged share capital was immediately reduced by a cash distribution of \$364.5 million at \$0.77 per ordinary share to the Shareholders of the Company. The capital reduction and cash distribution exercise did not result in a change in the number of Shares.

NOTES TO THE FINANCIAL STATEMENTS

12 RESERVES

Merger reserve represents the difference between the fair value and nominal value of shares issued for the acquisition of a subsidiary. The merger reserve had been utilised in part in prior years to write-off the goodwill on acquisition of the subsidiary.

The currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. The currency translation reserve is also used to record the effect of hedging of net investment in foreign operations.

The fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale investments until they are disposed of or impaired.

As at 31 December 2012, non-distributable reserves of \$1,018.2 million (2011: \$1,122.7 million) have been set aside by the Group's insurance entities to meet risk-based capital requirements for regulatory reporting purposes. These reserves are deemed statutory reserves and are not available for distribution to shareholders. These statutory reserves are measured according to the regulatory prescriptions and are subject to changes in line with the underlying risks underwritten by the respective businesses. Refer to Note 35 for more details.

13 INSURANCE PAYABLES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Claims admitted or intimated		206.9	190.3	-	-	206.9	190.3	-	-
Policy benefits		2,512.5	2,262.0	-	-	2,512.5	2,262.0	-	-
Reinsurance liabilities		71.8	65.2	24.3	24.1	47.5	41.1	-	-
		2,791.2	2,517.5	24.3	24.1	2,766.9	2,493.4	-	-

Policy benefits bear interest at 3% per annum (2011: 3% per annum) for the Group's insurance subsidiaries in Singapore and at 5% per annum (2011: 5% per annum) for the Group's insurance subsidiaries in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

14 OTHER CREDITORS AND INTERFUND BALANCES

Other creditors and interfund balances comprise the following:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Financial Liabilities:									
Accrued expenses and other creditors		496.4	447.4	93.0	88.5	403.4	358.9	6.4	6.1
Investment creditors		475.9	728.5	10.7	109.3	465.2	619.2	-	-
Interest payable		9.2	9.2	9.2	9.2	-	-	-	-
Amount due to holding company ⁽¹⁾		2.6	2.2	2.6	2.2	-	-	-	-
Interfund balances		1,304.1	1,071.6	-	97.0	1,304.1	974.6	-	-
		2,288.2	2,258.9	115.5	306.2	2,172.7	1,952.7	6.4	6.1
Non Financial Liabilities:									
Premiums in suspense ⁽²⁾		173.3	106.0	0.4	0.4	172.9	105.6	-	-
		2,461.5	2,364.9	115.9	306.6	2,345.6	2,058.3	6.4	6.1

⁽¹⁾ Amount due to holding company is unsecured, interest-free and repayable upon demand.

⁽²⁾ Amounts will be recognised within one year.

15 DEBT ISSUED

in Singapore Dollars (millions)	Issue Date	Maturity Date	Group	
			2012	2011
Issued by The Great Eastern Life Assurance Company Limited ("GELS"):				
\$400.0 million 4.6% subordinated fixed rate notes	19 Jan 2011	19 Jan 2026	399.2	399.1
			399.2	399.1

On 19 January 2011, one of the Group's subsidiaries issued \$400.0 million subordinated fixed rate notes ("Notes") due 2026 callable in 2021. The Notes will initially bear interest at the rate of 4.6% per annum, payable semi-annually on 19 January and 19 July each year up to 19 January 2021. If the Notes are not redeemed or purchased and cancelled on 19 January 2021, the interest rate from that date will be reset at a fixed rate per annum equal to the aggregate of the then prevailing 5-year SGD Swap Offer Rate and 1.35%, payable semi-annually in arrears. The subordinated notes qualify as Tier 2 capital for the Group.

NOTES TO THE FINANCIAL STATEMENTS

16 UNEXPIRED RISK RESERVE

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Balance at the beginning of the year		74.2	61.1	74.2	61.1	-	-
Currency translation reserve adjustment		(1.1)	(0.7)	(1.1)	(0.7)	-	-
Acquisition of a business	28	-	8.1	-	8.1	-	-
Increase in unexpired risk reserve during the year, gross		13.4	8.2	13.4	8.2	-	-
Movement in reinsurers' share of unexpired risk reserve during the year		(5.7)	(2.5)	(5.7)	(2.5)	-	-
Balance at the end of the year		80.8	74.2	80.8	74.2	-	-
Unexpired risk reserve, gross		120.3	111.8	120.3	111.8	-	-
Reinsurers' share of unexpired risk reserve	20	(39.5)	(37.6)	(39.5)	(37.6)	-	-
Unexpired risk reserve, net		80.8	74.2	80.8	74.2	-	-

17 GENERAL INSURANCE FUND

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Balance at the beginning of the year		121.9	71.0	121.9	71.0	-	-
Currency translation reserve adjustment		(2.2)	(0.7)	(2.2)	(0.7)	-	-
Acquisition of a business	28	-	58.8	-	58.8	-	-
Fair value reserve movement		1.4	1.6	1.4	1.6	-	-
Decrease in loss reserve during the year, gross		(1.0)	(5.8)	(1.0)	(5.8)	-	-
Movement in reinsurers' share of loss reserve during the year		2.9	(3.0)	2.9	(3.0)	-	-
Balance at the end of the year		123.0	121.9	123.0	121.9	-	-
General Insurance Fund comprises:							
General Insurance Fund Contract Liabilities, net		115.9	116.1	115.9	116.1	-	-
Reinsurers' share of loss reserve	20	63.5	66.8	63.5	66.8	-	-
General Insurance Fund Contract Liabilities, gross		179.4	182.9	179.4	182.9	-	-
Fair Value Reserve		7.1	5.8	7.1	5.8	-	-
		186.5	188.7	186.5	188.7	-	-

NOTES TO THE FINANCIAL STATEMENTS

17 GENERAL INSURANCE FUND (continued)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Represented by:							
<u>General Insurance Fund Contract Liabilities</u>							
Balance at the beginning of the year		116.1	66.7	116.1	66.7	-	-
Currency translation reserve adjustment		(2.1)	(0.6)	(2.1)	(0.6)	-	-
Acquisition of a business	28	-	58.8	-	58.8	-	-
Decrease in loss reserve during the year, gross		(1.0)	(5.8)	(1.0)	(5.8)	-	-
Movement in reinsurers' share of loss reserve during the year		2.9	(3.0)	2.9	(3.0)	-	-
Balance at the end of the year		115.9	116.1	115.9	116.1	-	-
<u>Fair Value Reserve ⁽¹⁾</u>							
Balance at the beginning of the year		5.8	4.3	5.8	4.3	-	-
Currency translation reserve adjustment		(0.1)	(0.1)	(0.1)	(0.1)	-	-
Fair value changes on remeasuring available-for-sale investments		3.1	8.4	3.1	8.4	-	-
Transfer of fair value reserve to General Insurance Revenue							
Statement on sale of investments	5	(1.4)	(6.4)	(1.4)	(6.4)	-	-
Deferred tax on fair value changes	9	(0.3)	(0.4)	(0.3)	(0.4)	-	-
Balance at the end of the year		7.1	5.8	7.1	5.8	-	-

⁽¹⁾ The above fair value reserve is deemed equity of General Insurance Fund.

NOTES TO THE FINANCIAL STATEMENTS

18 LIFE ASSURANCE FUND

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Balance at the beginning of the year		44,420.8	43,267.9	-	-	44,420.8	43,267.9
Currency translation reserve adjustment		(498.4)	(335.9)	-	-	(498.4)	(335.9)
Fair value reserve movement		69.6	(208.6)	-	-	69.6	(208.6)
Change in life assurance fund contract liabilities				-	-		
- Due to assumptions change		(414.6)	(85.4)	-	-	(414.6)	(85.4)
- Due to change in discount rate		588.2	252.0	-	-	588.2	252.0
- Due to movement during the year		2,530.0	1,447.4	-	-	2,530.0	1,447.4
Provision for deferred tax on future policyholders' bonus	9	(130.1)	(0.5)	-	-	(130.1)	(0.5)
Transferred from Life Assurance Revenue Statement		1,184.1	466.4	-	-	1,184.1	466.4
Transferred to Profit and Loss Statement		(691.7)	(382.5)	-	-	(691.7)	(382.5)
Balance at the end of the year		47,057.9	44,420.8	-	-	47,057.9	44,420.8

During the year, as stipulated under regulations, the liabilities of the Singapore insurance funds were valued on a longer risk-free yield curve as the longer tenor rates became available. This resulted in a gain of \$44.2 million. Furthermore, to better reflect the value of the liabilities of the Singapore insurance funds, the Group adjusted the computation of the Long Term Risk Free Discount Rate in the manner prescribed by impending regulatory changes. This resulted in a loss of \$35.7 million. The two changes resulted in a net gain of \$8.5 million.

Represented by:

Life Assurance Fund Contract Liabilities

Balance at the beginning of the year		39,289.7	37,933.8	-	-	39,289.7	37,933.8
Currency translation reserve adjustment		(379.2)	(257.6)	-	-	(379.2)	(257.6)
Change in life assurance fund contract liabilities				-	-		
- Due to assumptions change		(414.6)	(85.4)	-	-	(414.6)	(85.4)
- Due to change in discount rate		588.2	252.0	-	-	588.2	252.0
- Due to movement during the year		2,530.0	1,447.4	-	-	2,530.0	1,447.4
Provision for deferred tax on future policyholders' bonus	9	(130.1)	(0.5)	-	-	(130.1)	(0.5)
Balance at the end of the year		41,484.0	39,289.7	-	-	41,484.0	39,289.7

Life assurance fund contract liabilities at 31 December comprised the following:

Contracts with Discretionary Participating Features ("DPF")		32,990.8	31,476.5	-	-	32,990.8	31,476.5
Contracts without Discretionary Participating Features ("DPF")		3,978.2	3,731.0	-	-	3,978.2	3,731.0
Investment-linked contracts		4,515.0	4,082.2	-	-	4,515.0	4,082.2
		41,484.0	39,289.7	-	-	41,484.0	39,289.7

NOTES TO THE FINANCIAL STATEMENTS

18 LIFE ASSURANCE FUND (continued)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
<u>Unallocated Surplus</u>							
Balance at the beginning of the year		2,097.1	2,052.0	-	-	2,097.1	2,052.0
Currency translation reserve adjustment		(67.6)	(38.8)	-	-	(67.6)	(38.8)
Transferred from Life Assurance Revenue Statement		1,184.1	466.4	-	-	1,184.1	466.4
Transferred to Profit and Loss Statement		(691.7)	(382.5)	-	-	(691.7)	(382.5)
Balance at the end of the year		2,521.9	2,097.1	-	-	2,521.9	2,097.1
<u>Fair Value Reserve ⁽¹⁾</u>							
Balance at the beginning of the year		3,034.0	3,282.1	-	-	3,034.0	3,282.1
Currency translation reserve adjustment		(51.6)	(39.5)	-	-	(51.6)	(39.5)
Fair value changes on remeasuring available-for-sale investments		1,916.5	8.1	-	-	1,916.5	8.1
Transfer of fair value reserve to Life Assurance Revenue Statement on sale of investments	5	(1,817.9)	(196.2)	-	-	(1,817.9)	(196.2)
Deferred tax on fair value changes	9	(29.0)	(20.5)	-	-	(29.0)	(20.5)
Balance at the end of the year		3,052.0	3,034.0	-	-	3,052.0	3,034.0

⁽¹⁾ The above fair value reserve is deemed equity of Life Assurance Fund.

19 OTHER DEBTORS AND INTERFUND BALANCES

Other debtors and interfund balances comprise the following:

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
<u>Financial Assets:</u>							
Accrued interest receivable		392.0	313.3	25.7	18.8	366.3	294.5
Investment debtors		115.1	49.0	17.5	14.6	97.6	34.4
Other receivables		32.8	29.7	7.3	29.6	25.5	0.1
Deposits collected		4.6	4.3	1.2	1.0	3.4	3.3
Interfund balances		1,304.3	1,071.6	1,304.3	974.6	-	97.0
	22	1,848.8	1,467.9	1,356.0	1,038.6	492.8	429.3
<u>Non-Financial Assets:</u>							
Prepayments and others		53.8	49.8	46.9	42.7	6.9	7.1
		1,902.6	1,517.7	1,402.9	1,081.3	499.7	436.4

NOTES TO THE FINANCIAL STATEMENTS

20 INSURANCE RECEIVABLES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Due from policyholders:									
Outstanding premiums		201.9	192.4	19.8	17.4	182.1	175.0	-	-
Policy loans		2,268.2	2,251.3	-	-	2,268.2	2,251.3	-	-
Due from reinsurers:									
Reinsurance assets		112.3	114.4	111.0	113.1	1.3	1.3	-	-
	22	2,582.4	2,558.1	130.8	130.5	2,451.6	2,427.6	-	-

Reinsurance assets comprise the following:

Unexpired risk reserve	16	39.5	37.6	39.5	37.6	-	-	-	-
Loss reserve	17	63.5	66.8	63.5	66.8	-	-	-	-
Amounts due from reinsurers		9.3	10.0	8.0	8.7	1.3	1.3	-	-
Total assets arising from reinsurance contracts		112.3	114.4	111.0	113.1	1.3	1.3	-	-

21 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND JOINT VENTURES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Amounts due from subsidiaries		-	-	-	-	-	-	998.2	551.0
Loans to subsidiaries		-	-	-	-	-	-	9.1	173.3
Provision for impairment of unsecured loan to subsidiary	6	-	-	-	-	-	-	(7.0)	(7.0)
	22	-	-	-	-	-	-	1,000.3	717.3
Amount due to joint venture		-	(0.1)	-	(0.1)	-	-	-	-

The amounts due from subsidiaries and loans to subsidiaries are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

22 LOANS AND RECEIVABLES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Loans comprise the following:									
Secured loans		1,085.3	1,203.9	38.2	46.5	1,047.1	1,157.4	-	-
Unsecured loans		0.8	0.7	-	-	0.8	0.7	-	-
		1,086.1	1,204.6	38.2	46.5	1,047.9	1,158.1	-	-
less: Provision for impairment of secured loans	6	2.1	2.1	2.1	2.1	-	-	-	-
		1,084.0	1,202.5	36.1	44.4	1,047.9	1,158.1	-	-

If loans were carried at fair value, the carrying amounts would be as follows:

Loans		1,116.2	1,228.8	36.3	44.4	1,079.9	1,184.4	-	-
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Loans and receivables:

Cash and cash equivalents		4,212.6	7,248.9	588.5	713.1	3,624.1	6,535.8	57.8	9.0
Other debtors and interfund balances	19	1,848.8	1,467.9	1,356.0	1,038.6	492.8	429.3	-	-
Insurance receivables	20	2,582.4	2,558.1	130.8	130.5	2,451.6	2,427.6	-	-
Loans		1,084.0	1,202.5	36.1	44.4	1,047.9	1,158.1	-	-
Amounts due from subsidiaries and joint ventures	21	-	-	-	-	-	-	1,000.3	717.3
Total loans and receivables at amortised cost		9,727.8	12,477.4	2,111.4	1,926.6	7,616.4	10,550.8	1,058.1	726.3

NOTES TO THE FINANCIAL STATEMENTS

23 DERIVATIVE FINANCIAL INSTRUMENTS

in Singapore Dollars (millions)	Notional Principal 2012	Derivative Financial Assets 2012	Derivative Financial Liabilities 2012	Notional Principal 2011	Derivative Financial Assets 2011	Derivative Financial Liabilities 2011
23.1 Total						
Foreign exchange:						
Forwards	4,793.2	23.7	(8.4)	2,595.2	16.1	(31.0)
Currency swaps	2,405.2	320.6	(32.7)	2,930.8	311.6	(24.4)
Interest rates:						
Swaps	1,306.2	146.1	(0.8)	1,749.1	109.4	(6.7)
Exchange traded futures	-	0.2	(0.1)	10.9	0.8	-
Equity:						
Options	0.2	0.1	-	24.7	0.1	-
	8,504.8	490.7	(42.0)	7,310.7	438.0	(62.1)

23.2 Shareholders' and General Insurance Funds

Foreign exchange:						
Forwards	243.2	0.9	(0.2)	140.4	0.4	(1.1)
Currency swaps	13.2	1.2	-	27.7	2.2	(0.1)
	256.4	2.1	(0.2)	168.1	2.6	(1.2)

23.3 Life Assurance Fund

Foreign exchange:						
Forwards	4,550.0	22.8	(8.2)	2,454.8	15.7	(29.9)
Currency swaps	2,392.0	319.4	(32.7)	2,903.1	309.4	(24.3)
Interest rates:						
Swaps	1,306.2	146.1	(0.8)	1,749.1	109.4	(6.7)
Exchange traded futures	-	0.2	(0.1)	10.9	0.8	-
Equity:						
Options	0.2	0.1	-	24.7	0.1	-
	8,248.4	488.6	(41.8)	7,142.6	435.4	(60.9)

The table above shows the fair value of derivative financial instruments, recorded as assets or liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and the basis upon which changes in the value of derivatives are measured.

The fair value of derivatives shown above represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the changes in value.

NOTES TO THE FINANCIAL STATEMENTS

24 INVESTMENTS

in Singapore Dollars (millions)	Note	Group						
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		
		2012	2011	2012	2011	2012	2011	
24.1 Available-for-sale financial assets								
Equity securities								
(i)	Quoted equity securities	8,987.2	9,458.2	969.4	1,115.2	8,017.8	8,343.0	
(ii)	Unquoted equity securities	647.1	702.0	0.4	0.4	646.7	701.6	
		9,634.3	10,160.2	969.8	1,115.6	8,664.5	9,044.6	
less:	Provision for impairment of quoted equity securities	6	53.9	64.4	1.6	1.4	52.3	63.0
	Provision for impairment of unquoted equity securities	6	34.3	34.2	-	-	34.3	34.2
			9,546.1	10,061.6	968.2	1,114.2	8,577.9	8,947.4
Debt securities								
(iii)	Quoted debt securities ⁽¹⁾	17,171.2	13,188.3	1,801.4	1,151.7	15,369.8	12,036.6	
(iv)	Unquoted debt securities	12,646.2	10,837.5	453.1	454.8	12,193.1	10,382.7	
		29,817.4	24,025.8	2,254.5	1,606.5	27,562.9	22,419.3	
less:	Provision for impairment of quoted debt securities	6	0.2	0.2	-	-	0.2	0.2
	Provision for impairment of unquoted debt securities	6	2.8	2.8	2.8	2.8	-	-
			29,814.4	24,022.8	2,251.7	1,603.7	27,562.7	22,419.1
Other investments								
(v)	Collective investment schemes ⁽²⁾	1,559.2	1,412.8	181.6	173.3	1,377.6	1,239.5	
less:	Provision for impairment of collective investment schemes	6	3.2	4.3	1.0	1.2	2.2	3.1
			1,556.0	1,408.5	180.6	172.1	1,375.4	1,236.4
	Total Available-for-sale financial assets		40,916.5	35,492.9	3,400.5	2,890.0	37,516.0	32,602.9

NOTES TO THE FINANCIAL STATEMENTS

24 INVESTMENTS (continued)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
24.2 Securities at fair value through profit or loss							
Equity securities							
(i)	Quoted equity securities	2,151.3	1,904.3	-	-	2,151.3	1,904.3
		2,151.3	1,904.3	-	-	2,151.3	1,904.3
Debt securities							
(ii)	Quoted debt securities	388.1	343.7	-	-	388.1	343.7
(iii)	Unquoted debt securities	435.6	376.7	-	-	435.6	376.7
		823.7	720.4	-	-	823.7	720.4
Other investments							
(iv)	Collective investment schemes ⁽²⁾	1,038.5	942.6	-	-	1,038.5	942.6
Total securities at fair value through profit or loss ⁽³⁾							
		4,013.5	3,567.3	-	-	4,013.5	3,567.3
24.3 Financial instruments held-for-trading							
(i)	Financial instruments with embedded derivatives	1,895.7	1,092.7	208.2	167.3	1,687.5	925.4
Total financial instruments held-for-trading							
		1,895.7	1,092.7	208.2	167.3	1,687.5	925.4
TOTAL INVESTMENTS		46,825.7	40,152.9	3,608.7	3,057.3	43,217.0	37,095.6

(1) Included in quoted debt securities are quoted government securities amounting to \$5.2 million (2011: \$2.6 million) which are lodged with the regulator as statutory deposits.

(2) Collective investment schemes include but are not limited to unit trusts, hedge funds and real estate investment funds.

(3) These securities are designated as fair value through Profit and Loss Statement or Revenue Statements on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

25 ASSETS HELD FOR SALE

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Carrying Value:							
At 1 January		4.4	-	4.4	-	-	-
Reclassification from investment properties	29	3.0	4.4	3.0	4.4	-	-
Disposals		(4.4)	-	(4.4)	-	-	-
At 31 December		3.0	4.4	3.0	4.4	-	-

The Group has entered into Sale and Purchase Agreements to dispose certain investment properties. The disposals have not been completed as at 31 December 2012. Details of the properties are as follows:

Location of Property	Sale Consideration	Carrying Value
	S\$mil	at 31 December 2012 S\$mil
Ipoh	0.9	0.8
Petaling Jaya	0.9	0.9
Kuala Lumpur	1.5	1.3
	3.3	3.0

26 ASSOCIATES AND JOINT VENTURES

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Associates	26.1	255.4	245.9	7.1	7.1	248.3	238.8
Joint ventures	26.2	67.5	74.3	67.5	74.0	-	0.3
Carrying amount at 31 December		322.9	320.2	74.6	81.1	248.3	239.1

NOTES TO THE FINANCIAL STATEMENTS

26 ASSOCIATES AND JOINT VENTURES (continued)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
26.1 Associates							
Investment in shares, at cost		210.3	234.3	9.3	9.3	201.0	225.0
Share of post-acquisition results		53.6	11.1	(2.2)	(2.2)	55.8	13.3
Currency translation adjustment		(8.5)	0.5	-	-	(8.5)	0.5
		45.1	11.6	(2.2)	(2.2)	47.3	13.8
Carrying amount at 31 December	26	255.4	245.9	7.1	7.1	248.3	238.8
Fair value of investment in associates for which there is published price quotation		252.3	246.4	7.1	7.1	245.2	239.3

For the current financial period, the Group recognised its share of the associates' operating results based on unaudited records available up to 30 November 2012.

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

in Singapore Dollars (millions)	Total Assets	Total Liabilities	Revenue	Profit for the year
Total as at 31 December 2012	1,281.0	(480.8)	202.3	120.5
Total as at 31 December 2011	1,222.9	(472.1)	59.2	33.9

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
26.2 Joint Ventures							
Investment in shares, at cost		102.8	102.8	102.8	102.8	-	-
Share of post-acquisition results		(32.2)	(28.8)	(32.2)	(29.1)	-	0.3
Currency translation adjustment		(3.1)	0.3	(3.1)	0.3	-	-
		(35.3)	(28.5)	(35.3)	(28.8)	-	0.3
Carrying amount at 31 December	26	67.5	74.3	67.5	74.0	-	0.3

NOTES TO THE FINANCIAL STATEMENTS

26 ASSOCIATES AND JOINT VENTURES (continued)

26.2 Joint Ventures (continued)

The aggregate amounts of each of non-current assets, current assets, non-current liabilities, current liabilities, revenue and expenses related to the Group's interests in the jointly-controlled entities are as follows:

in Singapore Dollars (millions)	Non- Current Assets	Current Assets	Non- Current Liabilities	Current Liabilities	Revenue	Expenses
Total as at 31 December 2012	45.3	151.2	(90.9)	(38.1)	38.6	(41.7)
Total as at 31 December 2011	41.2	141.4	(76.3)	(32.1)	30.4	(39.6)

As at balance sheet date, there are no outstanding capital commitments or guarantees relating to the above associates and joint ventures.

There are no restrictions placed on the ability of the associates or joint ventures to transfer funds to the parent company in the form of cash dividends or for the repayment of loans when due.

27 SUBSIDIARIES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
		2012	2011	2012	2011	2012	2011		
Investment in shares, at cost		-	-	-	-	-	-	959.1	959.1
Distribution from pre-acquisition reserve		-	-	-	-	-	-	(281.8)	(281.8)
		-	-	-	-	-	-	677.3	677.3

NOTES TO THE FINANCIAL STATEMENTS

28 GOODWILL

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Cost:							
At 1 January		32.9	25.5	26.1	18.7	6.8	6.8
Additions - acquisition of a subsidiary/business		8.1	7.4	8.1	7.4	-	-
Currency translation reserve adjustment		(0.1)	-	(0.1)	-	-	-
At 31 December		40.9	32.9	34.1	26.1	6.8	6.8
Impairment:							
At 1 January and 31 December		(6.8)	(6.8)	-	-	(6.8)	(6.8)
Net carrying amount:							
At 1 January		26.1	18.7	26.1	18.7	-	-
Additions - acquisition of a subsidiary/business		8.1	7.4	8.1	7.4	-	-
Currency translation reserve adjustment		(0.1)	-	(0.1)	-	-	-
At 31 December		34.1	26.1	34.1	26.1	-	-

The acquisition of an additional stake of 9.6% in Lion Global Investors Limited group in 2005, the acquisition of certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad in 2011 and the acquisition of a subsidiary, Pacific Mutual Fund Berhad, in 2012 gave rise to \$18.7 million, \$7.4 million and \$8.1 million of goodwill respectively in Shareholders' Fund, while the acquisition of an additional 51% of the ordinary shares in Straits Eastern Square Pte Ltd ("SESPL") in 2006 gave rise to an amount of \$6.8 million of goodwill in Life Assurance Fund.

28.1 Acquisition of a subsidiary

On 30 October 2012 (the "acquisition date"), the Group's subsidiary company, Lion Global Investors Limited ("LGI") acquired 70% of the share capital of Pacific Mutual Fund Berhad ("PMFB"), a fund management company in Malaysia, for a cash consideration of \$13.2 million. Upon the acquisition, PMFB became a subsidiary of the Group.

The Group has acquired PMFB to provide a direct foothold in the Malaysia fund management industry through an established locally-licensed entity.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of PMFB's net identifiable assets.

The fair value of the identifiable assets and liabilities of PMFB as at the acquisition date were:

in Singapore Dollars (millions)	Note	Fair value recognised on acquisition
Cash and cash equivalents		10.8
Loans		0.3
Property, plant and equipment	30	0.6
		11.7

NOTES TO THE FINANCIAL STATEMENTS

28 GOODWILL (continued)

28.1 Acquisition of a subsidiary (continued)

in Singapore Dollars (millions)	Note	Fair value recognised on acquisition
Other creditors		1.1
Income tax payable		0.2
		1.3
Total identifiable net assets at fair value		10.4
Non-controlling interest measured at the non-controlling interest's proportionate share of PMFB's net identifiable assets		(5.3)
Goodwill arising from acquisition		8.1
Cash consideration paid		13.2
<u>Effect of the acquisition of PMFB on cash flows</u>		
Total consideration for 70% equity interest acquired settled in cash		13.2
Less: Cash and cash equivalents of subsidiary acquired		(10.8)
Net cash outflow on acquisition		(2.4)

Goodwill arising from acquisition

The goodwill of \$8.1 million arises from the excess of the fair value of the consideration over the fair value of the identifiable net asset less the non-controlling interest's proportionate share of PMFB's net identifiable assets. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair value of the assets acquired, liabilities assumed and goodwill recognised would be confirmed upon the completion of the purchase price allocation exercise.

Impact of the acquisition on profit and loss

From the acquisition date, PMFB has contributed \$1.3 million of revenue and \$0.2 million to the Group's profit for the year. If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been \$12.7 million and the Group's profit from continuing operations, net of tax would have been \$1.0 million.

NOTES TO THE FINANCIAL STATEMENTS

28 GOODWILL (continued)

28.2 Acquisition of a business

On 1 January 2011 (the “acquisition date”), the Group’s subsidiary company, Overseas Assurance Corporation (Malaysia) Berhad (“OACM”) acquired certain assets and liabilities of the general insurance business of Tahan Insurance Malaysia Berhad (“Tahan”) for a cash consideration of \$6.1 million.

The Group acquired Tahan in order to consolidate and create a stronger general insurance industry presence in Malaysia.

The fair value of the identifiable assets and liabilities of Tahan as at the acquisition date were:

in Singapore Dollars (millions)	Note	Fair value recognised on acquisition
Cash and cash equivalents		16.1
Other debtors		5.1
Insurance receivables		3.5
Investments		34.8
Investment properties	29	9.2
Property, plant and equipment	30	5.4
		<u>74.1</u>
Unexpired risk reserve	16	(8.1)
Other creditors		(8.5)
General insurance fund	17	(58.8)
		<u>(75.4)</u>
Total identifiable net liabilities at fair value		(1.3)
Goodwill arising from acquisition		7.4
Cash consideration paid		6.1
<u>Effect of the acquisition of the business on cash flows</u>		
Total consideration for business acquired settled in cash		6.1
Less: Cash and cash equivalents of business acquired		(16.1)
Net cash inflow on acquisition		<u>10.0</u>

Other debtors and insurance receivables acquired

Other debtors and insurance receivables acquired comprise of trade and other receivables, outstanding premiums and amounts due from reinsurers with fair values of \$5.1 million, \$0.9 million and \$2.6 million, respectively. Their gross amounts are \$5.1 million, \$6.5 million and \$8.7 million, respectively. At the acquisition date, \$5.6 million and \$6.1 million of the contractual cash flows pertaining to outstanding premiums and amounts due from reinsurers, respectively, are not expected to be collected. It is expected that the full contractual amount of the trade and other receivables can be collected.

NOTES TO THE FINANCIAL STATEMENTS

28 GOODWILL (continued)

28.2 Acquisition of a business (continued)

Goodwill arising from acquisition

The goodwill of \$7.4 million arises from the excess of the fair value of the consideration over the fair value of the identifiable net liabilities. Goodwill is allocated entirely to the business of OACM. None of the goodwill recognised is expected to be deductible for income tax purposes.

The fair values of the assets acquired, liabilities assumed, and goodwill recognised would be subject to revision pending the outcome of arbitration proceeding on the valuation of the claims liabilities transferred from Tahan to the Group on 1 January 2011.

Impact of the acquisition on profit and loss

From the acquisition date, Tahan has contributed \$12.8 million of revenue and \$9.5 million to the Group's profit for the year.

28.3 Impairment test for goodwill

In accordance with FRS 36, the carrying value of the Group's goodwill on acquisition of subsidiaries and businesses was assessed for impairment. In respect of the acquisition of the additional interest in Lion Global Investors Limited group, goodwill is allocated for impairment testing purposes to the individual entity which is also the cash-generating unit. Goodwill arising from the acquisition of Straits Eastern Square Pte Ltd is allocated for impairment testing to the investment property held which is also the cash-generating unit. Goodwill arising from the acquisition of the business of Tahan Insurance Malaysia Berhad is allocated for impairment testing purposes to the business of Overseas Assurance Corporation (Malaysia) Berhad, which is also the cash-generating unit.

Subsidiary - Lion Global Investors Limited

Carrying value of capitalised goodwill as at 31 December 2012	\$18.7 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	2%
Discount rate ⁽³⁾	10%

Subsidiary - Straits Eastern Square Pte Ltd

Carrying value of capitalised goodwill as at 31 December 2012	nil
Basis on which recoverable values are determined ⁽⁴⁾	Fair value of investment property held, less cost to sell

Business acquired - Tahan Insurance Malaysia Berhad

Carrying value of capitalised goodwill as at 31 December 2012	\$7.2 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	5%
Discount rate ⁽³⁾	11%

⁽¹⁾ The value-in-use calculation applies a discounted cash flow model using cash flow projections based on financial budget and forecast approved by management covering a five-year period. Cash flows beyond the fifth year are extrapolated using the estimated growth rate stated above.

⁽²⁾ The terminal growth rates used do not exceed the long term average past growth rates of the industries and countries in which Lion Global Investors Limited and Overseas Assurance Corporation (Malaysia) Berhad operate.

⁽³⁾ The discount rate applied to the cash flow projections is pre-tax and is derived from the cost of capital plus a reasonable risk premium. This is the benchmark used by management to assess the operating performance.

⁽⁴⁾ The fair value of investment property held is determined based on objective valuations undertaken by independent valuers. The fair value is supported by market evidence and represents the amount at which assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Valuations are performed on an annual basis.

No impairment loss was required to be recognised for the financial year ended 31 December 2012 (2011: nil) against the amounts of goodwill recorded above as the recoverable values were in excess of the carrying values. A reasonably possible change in key assumptions will not cause the carrying values above to materially exceed the recoverable amounts.

NOTES TO THE FINANCIAL STATEMENTS

29 INVESTMENT PROPERTIES

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2012	2011	2012	2011	2012	2011
Balance sheet:							
At 1 January		1,411.8	1,355.4	5.1	-	1,406.7	1,355.4
Additions (subsequent expenditure)		0.5	4.9	-	-	0.5	4.9
Acquisition of a business	28	-	9.2	-	9.2	-	-
Net gain from fair value adjustments	5	129.5	52.7	-	0.3	129.5	52.4
Disposals/assets written off		(1.9)	(2.0)	(1.9)	-	-	(2.0)
Reclassification to assets held for sale	25	(3.0)	(4.4)	(3.0)	(4.4)	-	-
Currency translation reserve adjustment		(5.3)	(4.0)	(0.2)	-	(5.1)	(4.0)
At 31 December		1,531.6	1,411.8	-	5.1	1,531.6	1,406.7
Revenue statements:							
Rental income from investment properties:							
- Minimum lease payments		79.8	79.0	0.1	0.6	79.7	78.4
Direct operating expenses (including repairs and maintenance) arising from:							
- Rental generating properties		(22.1)	(20.5)	-	-	(22.1)	(20.5)
- Non-rental generating properties		(0.2)	(1.7)	-	-	(0.2)	(1.7)
		(22.3)	(22.2)	-	-	(22.3)	(22.2)

Investment properties within the Life Assurance Funds collectively form an asset class which is an integral part of the overall investment strategy for the asset-liability management of the life assurance business.

Fair value of the investment properties as at 31 December 2012 is determined based on objective valuations undertaken by independent valuers at the balance sheet date. Valuations are performed by accredited independent valuers with recent experience in the location and category of the properties being valued. The valuations are based primarily on the comparable method and the income method. The comparable method involves the analysis of transactions of comparable properties in the subject/comparable vicinities with adjustments made for differences in location, floor area, tenure, age and condition, quality and finishes, date of transaction and prevailing market condition amongst other factors affecting value. The income method makes reference to estimated market rental values and equivalent yields. The fair value is supported by market evidence and represents the amount at which assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation.

There was no reclassification (2011: nil) from property, plant and equipment during the period for assets which qualify for recognition as part of investment properties.

NOTES TO THE FINANCIAL STATEMENTS

30 PROPERTY, PLANT AND EQUIPMENT

		Group						
		Freehold	Leasehold	Capital	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	Total
in Singapore Dollars (millions) Note		Land ⁽¹⁾	Land ⁽¹⁾	Works in Progress				
30.1 TOTAL								
Cost								
At 1 January 2011		62.4	40.0	9.1	628.2	304.5	83.8	1,128.0
Additions		-	-	13.1	-	20.7	8.1	41.9
Acquisition of a business 28		4.0	-	-	0.9	0.2	0.3	5.4
Disposals/assets written off		-	-	(0.1)	-	(4.0)	(2.4)	(6.5)
Reclassification		-	-	(2.6)	-	-	2.6	-
Currency translation reserve adjustment		(0.1)	(0.2)	-	(3.2)	(2.9)	(1.1)	(7.5)
Cost at 31 December 2011 and 1 January 2012		66.3	39.8	19.5	625.9	318.5	91.3	1,161.3
Additions		-	-	16.5	0.6	22.6	5.4	45.1
Acquisition of a subsidiary 28		-	-	-	-	0.4	0.2	0.6
Disposals/assets written off		-	(0.3)	-	(0.4)	(1.3)	(0.2)	(2.2)
Reclassification		-	-	(5.4)	0.5	-	4.9	-
Currency translation reserve adjustment		(0.2)	(0.2)	(0.1)	(4.2)	(4.0)	(1.7)	(10.4)
Cost at 31 December 2012		66.1	39.3	30.5	622.4	336.2	99.9	1,194.4
Accumulated Depreciation								
At 1 January 2011		(1.4)	(2.4)	-	(168.8)	(168.8)	(59.1)	(400.5)
Depreciation charge for the year		-	-	-	(13.6)	(27.2)	(6.9)	(47.7)
Disposals/assets written off		-	-	-	-	3.6	2.1	5.7
Currency translation reserve adjustment		-	0.2	-	0.6	1.7	0.7	3.2
Accumulated depreciation at 31 December 2011 and 1 January 2012		(1.4)	(2.2)	-	(181.8)	(190.7)	(63.2)	(439.3)
Depreciation charge for the year		-	(0.1)	-	(13.5)	(29.0)	(7.3)	(49.9)
Disposals/assets written off		-	-	-	0.1	1.3	0.2	1.6
Currency translation reserve adjustment		-	0.2	-	0.9	2.4	1.1	4.6
Accumulated depreciation at 31 December 2012		(1.4)	(2.1)	-	(194.3)	(216.0)	(69.2)	(483.0)
Net Book Value								
Net Book Value, at 31 December 2011		64.9	37.6	19.5	444.1	127.8	28.1	722.0
Net Book Value, at 31 December 2012		64.7	37.2	30.5	428.1	120.2	30.7	711.4

NOTES TO THE FINANCIAL STATEMENTS

30 PROPERTY, PLANT AND EQUIPMENT (continued)

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works in Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	
30.2 SHAREHOLDERS' AND GENERAL INSURANCE FUNDS								
Cost								
At 1 January 2011		-	-	-	-	9.9	5.7	15.6
Additions		-	-	-	-	3.3	3.5	6.8
Acquisition of a business	28	4.0	-	-	0.9	0.2	0.3	5.4
Disposals/assets written off		-	-	-	-	(1.5)	(2.3)	(3.8)
Reclassification		-	-	-	-	(0.2)	-	(0.2)
Currency translation reserve adjustment		-	-	-	-	(0.2)	(0.1)	(0.3)
Cost at 31 December 2011 and 1 January 2012		4.0	-	-	0.9	11.5	7.1	23.5
Additions		-	-	-	-	1.7	0.5	2.2
Acquisition of a subsidiary	28	-	-	-	-	0.4	0.2	0.6
Disposals/assets written off		-	-	-	-	(0.1)	(0.1)	(0.2)
Currency translation reserve adjustment		(0.1)	-	-	-	(0.2)	(0.2)	(0.5)
Cost at 31 December 2012		3.9	-	-	0.9	13.3	7.5	25.6
Accumulated Depreciation								
At 1 January 2011		-	-	-	-	(6.8)	(4.1)	(10.9)
Depreciation charge for the year		-	-	-	-	(1.3)	(1.3)	(2.6)
Disposals/assets written off		-	-	-	-	1.1	2.0	3.1
Currency translation reserve adjustment		-	-	-	-	0.2	0.1	0.3
Accumulated depreciation at 31 December 2011 and 1 January 2012		-	-	-	-	(6.8)	(3.3)	(10.1)
Depreciation charge for the year		-	-	-	-	(2.0)	(1.2)	(3.2)
Disposals/assets written off		-	-	-	-	0.1	0.1	0.2
Currency translation reserve adjustment		-	-	-	-	0.1	0.1	0.2
Accumulated depreciation at 31 December 2012		-	-	-	-	(8.6)	(4.3)	(12.9)
Net Book Value								
Net Book Value, at 31 December 2011		4.0	-	-	0.9	4.7	3.8	13.4
Net Book Value, at 31 December 2012		3.9	-	-	0.9	4.7	3.2	12.7

NOTES TO THE FINANCIAL STATEMENTS

30 PROPERTY, PLANT AND EQUIPMENT (continued)

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works in Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	
30.3 LIFE ASSURANCE FUND								
Cost								
At 1 January 2011		62.4	40.0	9.1	628.2	294.6	78.1	1,112.4
Additions		-	-	13.1	-	17.4	4.6	35.1
Disposals/assets written off		-	-	(0.1)	-	(2.5)	(0.1)	(2.7)
Reclassification		-	-	(2.6)	-	0.2	2.6	0.2
Currency translation reserve adjustment		(0.1)	(0.2)	-	(3.2)	(2.7)	(1.0)	(7.2)
Cost at 31 December 2011 and 1 January 2012		62.3	39.8	19.5	625.0	307.0	84.2	1,137.8
Additions		-	-	16.5	0.6	20.9	4.9	42.9
Disposals/assets written off		-	(0.3)	-	(0.4)	(1.2)	(0.1)	(2.0)
Reclassification		-	-	(5.4)	0.5	-	4.9	-
Currency translation reserve adjustment		(0.1)	(0.2)	(0.1)	(4.2)	(3.8)	(1.5)	(9.9)
Cost at 31 December 2012		62.2	39.3	30.5	621.5	322.9	92.4	1,168.8
Accumulated Depreciation								
At 1 January 2011		(1.4)	(2.4)	-	(168.8)	(162.0)	(55.0)	(389.6)
Depreciation charge for the year		-	-	-	(13.6)	(25.9)	(5.6)	(45.1)
Disposals/assets written off		-	-	-	-	2.5	0.1	2.6
Currency translation reserve adjustment		-	0.2	-	0.6	1.5	0.6	2.9
Accumulated depreciation at 31 December 2011 and 1 January 2012		(1.4)	(2.2)	-	(181.8)	(183.9)	(59.9)	(429.2)
Depreciation charge for the year		-	(0.1)	-	(13.5)	(27.0)	(6.1)	(46.7)
Disposals/assets written off		-	-	-	0.1	1.2	0.1	1.4
Currency translation reserve adjustment		-	0.2	-	0.9	2.3	1.0	4.4
Accumulated depreciation at 31 December 2012		(1.4)	(2.1)	-	(194.3)	(207.4)	(64.9)	(470.1)
Net Book Value								
Net Book Value, at 31 December 2011		60.9	37.6	19.5	443.2	123.1	24.3	708.6
Net Book Value, at 31 December 2012		60.8	37.2	30.5	427.2	115.5	27.5	698.7

NOTES TO THE FINANCIAL STATEMENTS

30 PROPERTY, PLANT AND EQUIPMENT (continued)

As at year end, the Company held furniture and fittings with a net book value of \$0.1 million (2011: \$0.1 million). Depreciation for the year on motor vehicles was \$0.1 million. (2011: \$0.1 million)

There was no reclassification (2011: nil) from property, plant and equipment during the year for assets which qualify for recognition as part of investment properties.

⁽¹⁾ If the freehold land, leasehold land and buildings were measured using market value, the carrying amount would be as follows:

in Singapore Dollars (millions)	Group	
	2012	2011
Freehold land, Leasehold land and Buildings	721.1	705.2

⁽²⁾ Other assets include motor vehicles, office furniture, fittings and equipment.

31 EXECUTIVES' SHARE OPTION SCHEME

31.1 OCBC Share Option Scheme

In April 2005, the GEH Optionholders were nominated to participate in the OCBC Bank Share Option Scheme (2001) ("OCBC Option Scheme"). The acquisition price of the options granted is equal to the average of the last traded price of the ordinary shares of OCBC Bank over five consecutive days immediately prior to the date of the grant. The options vest in one-third increments over a period of three years, and are exercisable after the first anniversary of the date of grant up to the date of expiration of the options. The share options have a validity period of 10 years from date of grant.

The fair value of the share options is recognised by the GEH Group as staff costs in the Profit and Loss Statement or Revenue Statements of the respective insurance funds, as appropriate. The Group uses the binomial model to derive the fair value of share options granted by OCBC Bank. The value of the share options is recognised in the Profit and Loss Statement or Revenue Statements over the vesting period of the share options. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable, and the impact of the change to the original estimates, if any, is recognised in the Profit and Loss Statement or Revenue Statements accordingly.

At the Extraordinary General Meeting of OCBC Bank held on 19 April 2007, certain alterations proposed by OCBC Bank's Remuneration Committee to OCBC Option Scheme were approved by its shareholders. These alterations enable option holders to select one of the following alternatives when exercising their options:

- (i) All share election - an election to receive in full the number of ordinary shares upon full payment of the aggregate acquisition cost in respect of options exercised;
- (ii) Partial share election - an election to receive ordinary shares representing the notional profit which would have been derived if the ordinary shares in respect of the options exercised had been sold; or
- (iii) Cash election - an election to receive in cash the profit derived from the sale of OCBC Bank's share in respect of the options exercised.

In March 2012, OCBC Bank granted 1,666,700 options (2011: 606,832) to GEH Optionholders to acquire ordinary shares in OCBC Bank ("OCBC shares") pursuant to 2001 scheme. 562,441 options were granted to directors of the Company (2011: nil). The fair value of share options granted during the financial year ended 31 December 2012, determined using the binomial valuation model, was \$2.4 million (2011: \$0.9 million). Significant inputs that were used to determine the fair value of options granted are set out below.

NOTES TO THE FINANCIAL STATEMENTS

31 EXECUTIVES' SHARE OPTION SCHEME (continued)

31.1 OCBC Share Option Scheme (continued)

	2012	2011
Acquisition price (\$)	8.80	9.35
Average share price from grant date to acceptance date (\$)	8.89	9.40
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	20.53	18.26
Risk-free rate based on SGS bond yield at acceptance date (%)	1.61	2.45
Expected dividend yield (%)	3.38	3.09
Exercise multiple (times)	1.57	1.57
Option life (years)	10	10

Information with respect to the number of options granted under the OCBC Option Scheme to GEH Optionholders is as follows:

	2012		2011	
	Number of Options	Average Price	Number of Options	Average Price
Number of shares comprised in options:				
At beginning of year	3,453,170	\$7.482	3,604,994	\$7.183
Granted during the year	1,666,700	\$8.798	606,832	\$9.350
Lapsed during the year	(108,738)	\$9.045	(178,128)	\$8.399
Exercised during the year	(916,125)	\$6.679	(580,528)	\$7.295
Outstanding at end of year	4,095,007	\$8.152	3,453,170	\$7.482
Exercisable at end of year	2,015,491	\$7.405	2,509,267	\$7.067
Weighted average share price underlying the options exercised during the financial year		\$9.009		\$9.311

Details of the options outstanding as at 31 December 2012 are as follows:

Grant Year	Grant Date	Exercise Period	Acquisition Price	2012	
				Outstanding	Exercisable
2004	15.03.2004	16.03.2005 - 14.03.2014	\$5.142	7,800	7,800
2005	14.03.2005	15.03.2006 - 13.03.2015	\$5.767	15,200	15,200
2005A	08.04.2005	09.04.2006 - 07.04.2015	\$5.784	227,400	227,400
2006B	23.05.2006	24.05.2007 - 22.05.2016	\$6.580	292,000	292,000
2007B	14.03.2007	15.03.2008 - 13.03.2017	\$8.590	427,000	427,000
2008	14.03.2008	15.03.2009 - 13.03.2018	\$7.520	497,340	497,340
2009	16.03.2009	17.03.2010 - 15.03.2019	\$4.138	159,497	159,497
2010	15.03.2010	16.03.2011 - 14.03.2020	\$8.762	398,934	249,810
2011	14.03.2011	15.03.2012 - 13.03.2021	\$9.350	440,896	139,444
2012	14.03.2012	15.03.2013 - 13.03.2022	\$8.798	1,628,940	-
				4,095,007	2,015,491

The carrying amount of the liability recognised on the Group's balance sheet related to the above equity-settled options at 31 December 2012 is \$2.6 million (31 December 2011: \$2.2 million).

As at 31 December 2012, the weighted average remaining contractual life of outstanding options was 6.9 years (2011: 6.2 years). There were 562,441 outstanding number of options held by directors of the Company (2011: nil).

NOTES TO THE FINANCIAL STATEMENTS

31 EXECUTIVES' SHARE OPTION SCHEME (continued)

31.2 OCBC Deferred Share Plan ("DSP")

The DSP is a share-based plan implemented in 2003 and administered by the OCBC Remuneration Committee. The DSP is a discretionary share-based incentive and retention award program extended to executives of OCBC's subsidiaries at the discretion of the Remuneration Committee. The awards are granted at no cost to the grantees, on a deferred basis as part of their performance bonus. Such awards shall lapse by reason of cessation of service but may be preserved at the discretion of the Remuneration Committee. The DSP does not involve the issue of new shares. Instead, existing shares will be purchased from the market for release to the grantees at the end of the respective vesting periods.

During the financial year, total awards of 224,092 (2011: 165,110) OCBC ordinary shares were granted to eligible executives of GEH Group under the DSP, of which 59,905 (2011: nil) were granted to the directors of the Company. The fair value of the shares at grant date was \$2.0 million (2011: \$1.6 million). In addition, total awards of 7,822 OCBC shares (of which 2,116 were granted to directors of the Company) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2011 (2011: 1,954 OCBC shares (of which none were granted to directors of the Company) awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2010).

31.3 OCBC Employee Share Purchase Plan ("ESP")

All employees of OCBC Bank and their subsidiaries who have attained the age of 21 years and have been employees for a period of not less than six months are eligible to participate in the ESP Plan unless they are also controlling shareholders of the Bank or their associates. The purpose of the ESP Plan is to provide employees with an opportunity to increase their personal equity interest in the Bank. The Bank will either issue new shares or transfer treasury shares to employees upon the exercise or conversion of acquisition rights. The ESP Plan is administered by the OCBC Bank Remuneration Committee.

The acquisition price is equal to the average of the last traded price of the ordinary shares of OCBC Bank on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the price fixing date for the acquisition price of the ordinary shares (as determined by the OCBC Bank Remuneration Committee).

A participant may participate in the ESP Plan for an offering period by making contributions in cash by means of monthly deductions from his monthly base salary and/or his designated account; and/or by monthly debits from his CPF Ordinary Account to his ESP Plan account.

In June 2012, the seventh offering of the ESP Plan was launched, commencing on 1 July 2012 and expiring on 30 June 2014. Under the offering, OCBC Bank granted 843,422 (2011: 726,467) rights to acquire ordinary shares in the Bank. The fair value of the rights, determined using the binomial valuation model was \$0.8 million (2011: \$0.5 million). Significant inputs to the valuation model are set out below.

	2012	2011
Acquisition price (\$)	8.68	9.21
Closing share price at valuation date (\$)	8.70	9.03
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	20.59	16.70
Risk-free rate based on 2-year swap rate (%)	0.15	0.68
Expected dividend yield (%)	2.76	2.57

NOTES TO THE FINANCIAL STATEMENTS

31 EXECUTIVES' SHARE OPTION SCHEME (continued)

31.3 OCBC Employee Share Purchase Plan ("ESP") (continued)

A summary of the movement in the number of acquisition rights of the ESP Plan issued to GEH Group's employees is as follows:

	2012		2011	
	Number of Subscription Rights	Weighted Average Subscription Price	Number of Subscription Rights	Weighted Average Subscription Price
At 1 January	1,106,826	\$9.038	810,900	\$7.877
Subscriptions on commencement of plan	843,422	\$8.680	726,467	\$9.210
Exercised	(171,657)	\$8.809	(338,748)	\$6.358
Lapsed / Forfeited	(423,672)	\$8.867	(91,793)	\$6.985
At 31 December	1,354,919	\$8.898	1,106,826	\$9.038

Average share price underlying acquisition rights exercised during the year	\$9.185	\$9.523
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As at 31 December 2012, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2011: 1.1 years). No director of GEH Group has acquisition rights under the ESP Plan (2011: nil).

32 COMMITMENTS AND CONTINGENT LIABILITIES

32.1 Capital commitments

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
	2012	2011	2012	2011	2012	2011		
Commitments for capital expenditure not provided for in the financial statements:								
- investment properties	62.4	71.5	-	-	62.4	71.5	-	-
- property, plant and equipment	20.7	18.2	2.0	-	18.7	18.2	-	-
	83.1	89.7	2.0	-	81.1	89.7	-	-

NOTES TO THE FINANCIAL STATEMENTS

32 COMMITMENTS AND CONTINGENT LIABILITIES (continued)

32.2 Operating lease commitments

The Group has entered into commercial property leases on its investment property portfolio. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Future minimum lease payments receivable under non-cancellable operating leases are as follows as of 31 December:

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
	2012	2011	2012	2011	2012	2011		
Within one year	27.3	27.3	0.3	0.2	27.0	27.1	-	-
After one year but not more than five years	47.8	51.4	-	-	47.8	51.4	-	-
More than five years	0.2	0.2	-	-	0.2	0.2	-	-
	75.3	78.9	0.3	0.2	75.0	78.7	-	-

The Group has entered into operating lease agreements for computer equipment. These non-cancellable leases have remaining non-cancellable lease terms of between 1 and 4 years. Operating lease payments recognised in the consolidated Profit and Loss Statement and Revenue Statements during the period amounted to \$0.4 million (2011: \$0.1 million).

Future minimum lease payments payable under non-cancellable operating leases contracted for as at 31 December but not recognised as liabilities, are payable as follows:

Within one year	5.1	4.1	3.1	2.8	2.0	1.3	-	-
After one year but not more than five years	4.3	7.2	1.7	4.1	2.6	3.1	-	-
	9.4	11.3	4.8	6.9	4.6	4.4	-	-

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS

The Group enters into transactions with its related parties in the normal course of business. Transactions are carried out on an arm's length basis.

33.1 Sale and purchase of goods and services

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

in Singapore Dollars (millions)	Group						Company	
	Total	Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011	
		2012	2011	2012	2011			2012
Management and performance fees paid by insurance funds to subsidiaries	44.9	42.7	5.4	4.1	39.5	38.6	-	-
Fees and commission and other income received from:								
- holding company	6.5	8.2	6.5	8.2	-	-	-	-
- related parties of the holding company	1.9	4.0	1.8	1.9	0.1	2.1	-	-
Premiums received from key management personnel	0.4	1.4	-	-	0.4	1.4	-	-
Fees and commission expense paid to:								
- holding company	69.0	42.3	4.2	1.2	64.8	41.1	-	-
- related parties of the holding company	11.0	23.8	2.3	2.2	8.7	21.6	-	-
Interest income received from:								
- holding company	4.4	0.8	3.4	0.2	1.0	0.6	-	-
- related parties of the holding company	27.0	19.4	0.8	1.8	26.2	17.6	-	-
Rental income received from related parties of the holding company	0.3	0.4	-	-	0.3	0.4	-	-
Other expenses paid to:								
- holding company	2.6	4.5	0.7	3.0	1.9	1.5	-	-
- related parties of the holding company	20.2	5.2	4.0	1.9	16.2	3.3	-	-

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (continued)

33.2 Balance sheet balances with related parties

Balance sheet balances with related parties as at 31 December are as follows:

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2012	2011
	2012	2011	2012	2011	2012	2011		
Cash and cash equivalents held with:								
- holding company	453.8	408.5	65.1	81.4	388.7	327.1	32.9	8.9
- related parties of the holding company	643.6	594.6	27.5	37.8	616.1	556.8	-	-
Amount due to holding company	2.6	2.2	2.6	2.2	-	-	-	-
Investments in quoted debt securities and preference shares of:								
- holding company	11.9	159.8	-	128.4	11.9	31.4	-	-
- related parties of the holding company	197.1	166.1	-	-	197.1	166.1	-	-
Derivative financial assets held with:								
- holding company	180.0	178.2	1.0	0.4	179.0	177.8	-	-
Derivative financial liabilities held with:								
- holding company	4.4	9.9	0.2	0.7	4.2	9.2	-	-
- related parties of the holding company	7.8	0.9	-	-	7.8	0.9	-	-

Outstanding balances at balance sheet date are unsecured and interest free. Settlement will take place in cash.

There was no provision for doubtful debts at the balance sheet date and no bad debt expense for the year (2011: Nil).

33.3 Compensation of key management personnel

Short-term employee benefits	19.8	17.8	8.2	7.6	11.6	10.2	1.5	1.3
Other long-term benefits	1.4	-	0.2	-	1.2	-	-	-
Central Provident Fund/Employee Provident Fund	0.6	0.5	0.2	0.2	0.4	0.3	-	-
Share-based payments	1.7	1.1	0.2	0.2	1.5	0.9	-	-
	23.5	19.4	8.8	8.0	14.7	11.4	1.5	1.3
Comprise amounts paid to:								
Directors of the Company	6.5	4.8	2.1	1.7	4.4	3.1	1.5	1.3
Other key management personnel	17.0	14.6	6.7	6.3	10.3	8.3	-	-
	23.5	19.4	8.8	8.0	14.7	11.4	1.5	1.3

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION

Business Segments

For management purposes, the Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products for the different markets. The Group's principal operations are organised into the Life Assurance, General Insurance and Shareholders segments. The results of these segments are reported separately in internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

a. Life Assurance Segment

The Life Assurance segment provides different types of products, comprising life insurance, long-term health and accident insurance, annuity business written and includes the unit-linked business. The Life Assurance segment is further organised into three reportable segments based on the type of product provided - the Participating Business, Non-participating Business and Linked Business segments. All revenues in the Life Assurance segment are from external customers.

Under the Participating Business segment, the insurance contracts issued by subsidiaries within the Group contain a discretionary participating feature. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contract entitles the policyholder to receive benefits, commonly referred to as a policyholder bonus, which is derived from the investment performance of the pool of assets and operating experience of all the participating policies managed by each insurance subsidiary within the Group.

Under the Non-participating Business segment, the insurance contracts issued by insurance subsidiaries within the Group transfer both insurance and investment risks from policyholders to the insurance subsidiaries within the Group. Other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Under the Linked Business segment, the insurance subsidiaries within the Group issue contracts which transfer insurance risk alone from policyholders to the insurance subsidiaries within the Group. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

b. General Insurance Segment

Under the General Insurance business, the Group issues short term property and casualty contracts which protect the policyholder against the risk of loss of property premises due to fire or theft in the form of fire or burglary insurance contract and/or business interruption contract; risk of liability to pay compensation to a third party for bodily harm or property damage in the form of public liability insurance contract. The Group also issues short term medical and personal accident general insurance contracts.

c. Shareholders Segment

The Shareholders segment comprises two reportable segments, the Fund Management and Financial Advisory Business, and Other Shareholders segments.

The Fund Management and Financial Advisory Business segment provides fund management services for absolute return/balanced mandates with different risk-return characteristics and manages a range of products, including Asia Pacific equities, Asian and global fixed income securities portfolios. Clients include Singapore statutory boards, government-linked corporations, public and private companies, insurance companies and charity organisations.

The Other Shareholders segment comprises activities not related to the core business segments, and includes general corporate income and expense items.

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (continued)

Geographical Segments

The Group's risks and rewards are affected by operating conditions in different countries and geographical areas. Therefore, for management purposes, the Group is also organised on a geographical basis into Singapore, Malaysia and Other Asia, based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the respective location of its customers.

Segment Accounting Policies, Allocation Basis and Transfer Pricing

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in Note 2.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities, interest-bearing loans and related expenses. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to an unrelated third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

(1) By Business Segments

in Singapore Dollars (millions)	Group						Group		
	Fund Management and Financial Advisory Business		Others		Adjustments and Eliminations		Note	Consolidated	
	2012	2011	2012	2011	2012	2011		2012	2011
(a) Shareholders' Fund									
Investment income, net	0.1	0.1	111.8	115.7	(0.5)	(19.4)	(1)	111.4	96.4
Gain/(loss) on sale of investments and changes in fair value	-	1.2	562.9	(11.1)	-	-		562.9	(9.9)
Increase in provision for impairment of assets	-	-	(0.2)	(1.9)	-	-		(0.2)	(1.9)
Gain/(loss) on exchange differences	0.9	(0.8)	(1.4)	1.2	-	-		(0.5)	0.4
Profit/(loss) from investments in Shareholders' Fund	1.0	0.5	673.1	103.9	(0.5)	(19.4)		673.6	85.0
Fees and other income	67.3	68.2	2.7	4.7	(5.2)	(3.9)	(1)	64.8	69.0
Profit/(loss) before expenses	68.3	68.7	675.8	108.6	(5.7)	(23.3)		738.4	154.0
Management and other expenses	36.5	36.4	35.1	35.7	-	-		71.6	72.1
Interest expense	-	-	18.3	18.3	-	-		18.3	18.3
Depreciation	0.9	0.9	1.3	1.0	-	-		2.2	1.9
Total expenses	37.4	37.3	54.7	55.0	-	-		92.1	92.3
Profit/(loss) after expenses	30.9	31.4	621.1	53.6	(5.7)	(23.3)		646.3	61.7
Share of loss of joint ventures	-	-	(3.2)	(8.4)	-	-		(3.2)	(8.4)
Segment profit/(loss) before income tax	30.9	31.4	617.9	45.2	(5.7)	(23.3)		643.1	53.3
Income tax	(4.3)	(4.7)	(169.6)	(68.6)	-	-		(173.9)	(73.3)
Segment profit/(loss) after income tax	26.6	26.7	448.3	(23.4)	(5.7)	(23.3)		469.2	(20.0)

Reconciliation to consolidated Profit & Loss Statement:

Profit from insurance operations								726.1	411.8
Profit per Profit & Loss Statement								1,195.3	391.8

(1) Inter-segment dividend and management fee income are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (continued)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group						Group	
	Fund Management and Financial Advisory Business		Others		Adjustments and Eliminations		Note	Consolidated
	2012	2011	2012	2011	2012	2011	2012	2011
(a) Shareholders' Fund (continued)								
Other material items:								
Interest income	0.1	0.4	73.1	64.2	-	-	73.2	64.6
Staff costs and related expenses (including executive directors and key management personnel compensation)	30.0	31.2	37.1	34.9	-	-	67.1	66.1
Rental expense	2.3	2.0	3.7	2.9	-	-	6.0	4.9
Loss on disposal of property, plant and equipment	-	-	-	0.1	-	-	-	0.1
Interest expense	-	-	18.3	18.3	-	-	18.3	18.3
Non-cash items:								
Depreciation	0.9	0.9	1.3	1.0	-	-	2.2	1.9
Impairment of assets	-	-	0.2	1.9	-	-	0.2	1.9
Changes in fair value of investments:								
- through Profit & Loss Statement	-	-	(68.3)	51.5	-	-	(68.3)	51.5
- through equity	2.4	(2.0)	361.8	(67.0)	-	-	364.2	(69.0)
in Singapore Dollars (millions)								
	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11
Assets and liabilities:								
Segment assets	106.2	77.2	5,332.6	4,626.7	14.2	14.2	5,453.0	4,718.1
Investments in associates and joint ventures	-	-	74.6	81.1	-	-	74.6	81.1
Total assets	106.2	77.2	5,407.2	4,707.8	14.2	14.2	5,527.6	4,799.2
Segment liabilities	15.2	12.9	473.0	669.0	-	-	488.2	681.9
Income tax and deferred tax liabilities	4.8	5.4	195.1	169.4	-	-	199.9	174.8
Total liabilities	20.0	18.3	668.1	838.4	-	-	688.1	856.7
Other segment information:								
Additions to non-current assets								
- property, plant and equipment	1.4	3.2	0.3	1.6	-	-	1.7	4.8
- goodwill	8.1	-	-	7.4	-	-	8.1	7.4

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (continued)

(1) By Business Segments (continued)

(b) General Insurance Fund

The segment profit/(loss) information for general insurance fund has not been presented below as it is considered a single business segment and disclosure of the information can be found in the General Insurance Revenue Statement. All revenues in the General Insurance Fund are from external customers. Material non-cash items consist of depreciation and impairment of assets, which can be found in the General Insurance Revenue Statement.

in Singapore Dollars (millions)	Group	
	General Insurance Fund	
	2012	2011
Other material items:		
Interest income	12.8	9.9
Staff costs and related expenses (including executive directors and key management personnel compensation)	20.6	18.5
Rental expense	1.8	2.1
in Singapore Dollars (millions)	31 Dec 12	31 Dec 11
Assets and liabilities:		
Total assets	365.9	360.1
Segment liabilities	358.2	349.7
Income tax and deferred tax liabilities	7.7	10.4
Total liabilities	365.9	360.1
Other segment information:		
Additions to non-current assets		
- property, plant and equipment	1.1	7.4
- investment properties	-	9.2

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (continued)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
(c) Life Assurance Fund										
Premiums less reassurances	3,983.7	3,901.1	1,173.0	1,083.2	1,097.8	1,122.0	-	-	6,254.5	6,106.3
Commissions received from reinsurers	8.5	15.9	2.4	11.0	1.5	3.2	-	-	12.4	30.1
Investment income, net	1,436.5	1,402.3	174.9	169.0	106.8	104.6	-	-	1,718.2	1,675.9
Rental income, net	53.2	51.8	4.6	4.3	-	-	(0.4)	-	57.4	56.1
Gain/(loss) on sale of investments and changes in fair value	2,053.1	86.8	155.6	48.0	312.8	(309.2)	-	-	2,521.5	(174.4)
(Loss)/gain on exchange differences	(22.9)	77.2	(28.7)	20.6	(2.7)	5.6	-	-	(54.3)	103.4
Segment revenue	7,512.1	5,535.1	1,481.8	1,336.1	1,516.2	926.2	(0.4)	-	10,509.7	7,797.4
Gross claims, surrenders and annuities	4,106.6	3,290.0	734.9	771.6	595.9	518.7	-	-	5,437.4	4,580.3
Claims, surrenders and annuities recovered from reinsurers	(15.4)	(14.0)	(35.6)	(27.2)	(10.0)	(8.4)	-	-	(61.0)	(49.6)
Commissions and agency expenses	347.1	348.0	148.9	134.1	210.7	182.3	-	-	706.7	664.4
Increase/(decrease) in provision for impairment of assets	9.6	20.2	-	(4.5)	-	-	-	-	9.6	15.7
Management expenses	170.7	154.4	63.0	50.4	76.6	73.2	(0.4)	-	309.9	278.0
Agents' retirement benefits	25.0	23.3	2.2	2.1	7.2	5.8	-	-	34.4	31.2
Depreciation	41.0	39.7	3.6	3.5	2.1	1.9	-	-	46.7	45.1
Change in life assurance fund contract liabilities	1,835.1	1,255.6	255.9	342.3	482.5	15.6	-	-	2,573.5	1,613.5
Segment expense	6,519.7	5,117.2	1,172.9	1,272.3	1,365.0	789.1	(0.4)	-	9,057.2	7,178.6
Segment profit before share of profit of associates and joint ventures	992.4	417.9	308.9	63.8	151.2	137.1	-	-	1,452.5	618.8
Share of profit/(loss) of associates	38.5	(2.6)	1.6	(0.6)	-	-	-	-	40.1	(3.2)
Share of loss of joint ventures	(0.3)	-	-	-	-	-	-	-	(0.3)	-
Segment profit before income tax	1,030.6	415.3	310.5	63.2	151.2	137.1	-	-	1,492.3	615.6
Income tax	(287.6)	(138.5)	2.5	1.4	(23.1)	(12.1)	-	-	(308.2)	(149.2)
Segment profit after income tax	743.0	276.8	313.0	64.6	128.1	125.0	-	-	1,184.1	466.4

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (continued)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Retained in life assurance fund	599.0	155.3	(109.5)	(69.8)	2.9	(1.6)	-	-	492.4	83.9
Transferred to Profit and Loss Statement	144.0	121.5	422.5	134.4	125.2	126.6	-	-	691.7	382.5
	743.0	276.8	313.0	64.6	128.1	125.0	-	-	1,184.1	466.4
Other material items:										
Interest income	1,156.9	1,124.2	173.4	166.8	70.2	65.1	-	-	1,400.5	1,356.1
Staff costs and related expenses (including executive directors and key management personnel compensation)	92.6	89.8	31.5	28.6	34.3	32.8	-	-	158.4	151.2
Rental expense	8.5	8.0	3.2	2.8	2.9	2.6	(0.4)	-	14.2	13.4
Gain on disposal of property, plant and equipment and investment properties	0.7	0.6	-	0.1	-	-	-	-	0.7	0.7
Interest expense on policy benefits	100.4	90.3	0.1	0.1	-	-	-	-	100.5	90.4
Non-cash items:										
Depreciation	41.0	39.7	3.6	3.5	2.1	1.9	-	-	46.7	45.1
Impairment of assets	9.6	20.2	-	(4.5)	-	-	-	-	9.6	15.7
Changes in fair value of investments:										
- through Profit & Loss Statement	(65.9)	177.8	(117.1)	1.7	(303.7)	263.2	-	-	(486.7)	442.7
- through life assurance fund	1,758.6	(100.6)	157.9	108.7	-	-	-	-	1,916.5	8.1

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (continued)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non-Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11	31 Dec 12	31 Dec 11
(c) Life Assurance Fund (continued)										
Assets and liabilities:										
Segment assets	43,143.9	41,024.9	5,488.5	4,814.4	4,926.8	4,364.9	-	-	53,559.2	50,204.2
Investments in associates and joint ventures	243.9	234.2	4.4	4.9	-	-	-	-	248.3	239.1
Total assets	43,387.8	41,259.1	5,492.9	4,819.3	4,926.8	4,364.9	-	-	53,807.5	50,443.3
Segment liabilities	42,288.5	40,264.0	5,273.3	4,651.9	4,895.6	4,348.8	-	-	52,457.4	49,264.7
Income tax and deferred tax liabilities	1,099.3	995.1	219.6	167.4	31.2	16.1	-	-	1,350.1	1,178.6
Total liabilities	43,387.8	41,259.1	5,492.9	4,819.3	4,926.8	4,364.9	-	-	53,807.5	50,443.3
Other segment information:										
Additions to non- current assets										
- property, plant and equipment	38.5	32.2	3.1	2.2	1.3	0.7	-	-	42.9	35.1
- investment properties	0.4	4.3	0.1	0.6	-	-	-	-	0.5	4.9

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (continued)

(2) By Geographical Segments

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Adjustments and Eliminations		Consolidated	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
(a) Shareholders' Fund										
Investment income, net	94.3	78.8	13.7	13.0	3.4	4.6	-	-	111.4	96.4
Gain/(loss) on sale of investments and changes in fair value	558.4	(11.9)	4.5	2.0	-	-	-	-	562.9	(9.9)
Fees and other income	63.6	69.0	1.2	-	-	-	-	-	64.8	69.0
Total revenue from external customers	716.3	135.9	19.4	15.0	3.4	4.6	-	-	739.1	155.5
Dividend from subsidiaries	214.1	172.7	-	-	-	-	(214.1)	(172.7)	-	-
Total revenue	930.4	308.6	19.4	15.0	3.4	4.6	(214.1)	(172.7)	739.1	155.5
Profit/(loss) after income tax	1,180.6	357.8	241.1	226.2	(12.3)	(19.5)	(214.1)	(172.7)	1,195.3	391.8
<u>As at 31 December:</u>										
Non-current assets	22.2	23.2	16.0	7.2	0.9	1.3	-	-	39.1	31.7
(b) General Insurance Fund										
Total revenue from external customers	65.0	54.6	127.6	112.1	-	-	-	-	192.6	166.7
<u>As at 31 December:</u>										
Non-current assets	0.6	0.7	7.1	12.2	-	-	-	-	7.7	12.9
(c) Life Assurance Fund										
Total revenue from external customers	6,060.3	4,158.2	4,328.3	3,492.9	121.1	146.3	-	-	10,509.7	7,797.4
<u>As at 31 December:</u>										
Non-current assets	1,817.0	1,685.0	408.4	425.7	4.9	4.6	-	-	2,230.3	2,115.3

Non-current assets information presented above consist of goodwill, investment properties and property, plant and equipment as presented in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance framework

Managing risk is an integral part of the Group's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Group shall:

- Always operate within the risk appetite set by the Board; and
- Ensure reward commensurate for any risk taken.

Group Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

The Risk and Investment Committee ("RIC") is constituted to provide oversight on the risk management initiatives. At the group level, detailed risk management and oversight activities are undertaken by the following group management committees comprising the Group Chief Executive Officer and key Senior Management Executives:

- Group Management Team ("GMT")
- Group Asset-Liability Committee ("Group ALC")
- Group Information Technology Steering Committee ("Group ITSC")

GMT is responsible for providing leadership, direction and oversight with regards to all matters of the Group. The GMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMT is supported by the local Senior Management Team ("SMT") and Product Development Committee ("PDC").

Group ALC is responsible for assisting GMT in balance sheet management. Specifically, Group ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. Group ALC is supported by the local Asset-Liability Committee ("ALC").

Regulatory framework

Insurers are required to comply with the Insurance Act and Regulations, as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the investment policy rests with the respective Board of Directors ("Board"). The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

GEH's capital management policy is to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

The Group has had no significant changes in the policies and processes relating to its capital structure during the year.

Regulatory Capital

The insurance subsidiaries of the Group are required to comply with capital ratios prescribed by the Insurance Regulations of the jurisdiction in which the subsidiaries operate. The Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remained well above the minimum regulatory ratios of 120% and 130% under the Risk based Capital Frameworks regulated by the Monetary Authority of Singapore and Bank Negara, Malaysia respectively.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

Regulatory Capital (continued)

The Group's approach to capital management requires sufficient capital to be held to cover statutory requirements, including any additional amounts required by the respective regulators. This involves managing assets, liabilities and risks in a coordinated way by assessing and monitoring available and required capital (by each regulated entity) on a regular basis and, where appropriate, taking suitable actions to influence the capital position of the Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is share capital and issued debt. Available capital of the consolidated Singapore insurance subsidiaries as at 31 December 2012 amounted to \$8.6 billion (31 December 2011: \$8.1 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2012 amounted to \$0.7 billion (31 December 2011: \$0.7 billion).

Dividend

GEH's dividend policy aims to provide shareholders with a predictable and sustainable dividend return, payable on a half-yearly basis.

Insurance Risk

The principal activities of the Group are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness, personal accident), and property and casualty.

The Group's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

Risks inherent in the Group's activities include but are not limited to the following:

Insurance Risks of Life Insurance Contracts

Insurance risks arise when the Group underwrites insurance contracts. A mis-estimation of the assumptions used in pricing the insurance products as well as subsequent setting of the technical provisions may give rise to potential shortfalls when actual experience is different from expected experience. Sources of assumptions affecting insurance risks include policy lapses and policy claims such as mortality, morbidity and expenses. These risks do not vary significantly in relation to the location of the risk insured by the Group, type of risk insured or by industry.

The Group utilises reinsurance to manage the mortality and morbidity risks. The Group's reinsurance management strategy and policy are reviewed annually by RIC and Group ALC. Reinsurance structures are set based on the type of risk. Retention limits for mortality risk per life are limited to a maximum of \$700,000 in Singapore and RM350,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of \$400,000 in Singapore and RM250,000 in Malaysia. Catastrophe reinsurance is procured to limit catastrophic losses. The Group's exposure to group insurance business is not significant, thus there is no material concentrations in insurance risk.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Only reinsurers meeting a minimum credit rating of S&P A- are considered when deciding on which reinsurers to reinsure the Group's risk. The Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of the Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for the Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

TABLE 35(A): The table below sets out the concentration of the life insurance risk as at the balance sheet date, net of reinsurance:

in Singapore Dollars (millions)	Life Assurance	
	As at 31 December 2012 Insurance liabilities	As at 31 December 2011 Insurance liabilities
(i) by Class of business:		
Whole life	23,526.6	21,271.2
Endowment	14,900.5	15,243.9
Term	383.2	347.9
Accident and health	1,087.7	962.5
Annuity	648.0	644.0
Others	938.0	820.2
Total	41,484.0	39,289.7
(ii) by Country:		
Singapore	25,779.6	24,523.6
Malaysia	15,399.8	14,449.8
Others	304.6	316.3
Total	41,484.0	39,289.7

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

The sensitivity analysis below shows the impact of change in key parameters on the value of policy liabilities, and hence on the profit and loss statement and shareholders' equity.

Sensitivity analysis produced are based on parameters set out as follows:

	Change in assumptions
(a) Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b) Scenario 2 – Mortality and Major Illness	- 25% for all future years
(c) Scenario 3 – Health and Disability	+ 25% for all future years
(d) Scenario 4 – Health and Disability	- 25% for all future years
(e) Scenario 5 – Lapse and Surrender rates	+ 25% for all future years
(f) Scenario 6 – Lapse and Surrender rates	- 25% for all future years
(g) Scenario 7 - Expenses	+ 30% for all future years

TABLE 35(B1): Profit/(Loss) After Tax and Shareholders' Equity sensitivity for the Singapore segment:

Impact on 1-year's profit/(loss) after tax and Shareholders' Equity

in Singapore Dollars (millions)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2012							
Gross impact	(74.8)	19.9	71.8	(82.8)	53.9	(67.8)	(27.4)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(74.8)	19.9	71.8	(82.8)	53.9	(67.8)	(27.4)
2011							
Gross impact	(58.1)	17.2	70.3	(78.4)	53.7	(67.6)	(26.1)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(58.1)	17.2	70.3	(78.4)	53.7	(67.6)	(26.1)

TABLE 35(B2): Profit/(Loss) After Tax and Shareholders' Equity sensitivity for the Malaysia segment:

Impact on 1-year's profit/(loss) after tax and Shareholders' Equity

in Singapore Dollars (millions)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2012							
Gross impact	(63.6)	55.7	(14.1)	11.6	1.3	(1.2)	(7.5)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(63.6)	55.7	(14.1)	11.6	1.3	(1.2)	(7.5)
2011							
Gross impact	(53.6)	54.2	(13.2)	10.7	(0.8)	1.8	(6.1)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(53.6)	54.2	(13.2)	10.7	(0.8)	1.8	(6.1)

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

The above table demonstrates the sensitivity of the Group's profit and loss after tax to a reasonably possible change in actuarial valuation assumptions on an individual basis with all other variables held constant.

The effect of sensitivity analysis on reinsurance ceded for the Singapore and Malaysia segments are not material.

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

Insurance Risk of Non-Life Insurance Contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Notes 16 and 17 of the financial statements. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

TABLE 35(C1): The table below sets out the concentration of the non-life insurance risk as at the balance sheet date:

(i) by Class of business:

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2012			As at 31 December 2011		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Fire	21.2	(13.6)	7.6	22.8	(13.1)	9.7
Motor	39.1	(3.1)	36.0	33.2	(5.2)	28.0
Marine & aviation	1.4	(0.8)	0.6	1.6	(1.0)	0.6
Workmen's compensation	7.9	(2.5)	5.4	5.5	(1.7)	3.8
Personal accident & health	23.1	(2.0)	21.1	23.6	(1.1)	22.5
Miscellaneous	27.6	(17.5)	10.1	25.1	(15.5)	9.6
Total	120.3	(39.5)	80.8	111.8	(37.6)	74.2
in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Fire	23.2	(17.6)	5.6	29.7	(22.9)	6.8
Motor	87.0	(15.2)	71.8	87.2	(12.5)	74.7
Marine & aviation	4.9	(2.7)	2.2	7.3	(5.2)	2.1
Workmen's compensation	14.1	(4.8)	9.3	10.2	(3.0)	7.2
Personal accident & health	11.7	(1.7)	10.0	10.6	(1.3)	9.3
Miscellaneous	38.5	(21.5)	17.0	37.9	(21.9)	16.0
Total	179.4	(63.5)	115.9	182.9	(66.8)	116.1

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

TABLE 35(C1): The table below sets out the concentration of the non-life insurance risk as at the balance sheet date: (continued)

(ii) by Country:

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2012			As at 31 December 2011		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Singapore	55.9	(20.0)	35.9	52.5	(20.8)	31.7
Malaysia	64.4	(19.5)	44.9	59.3	(16.8)	42.5
Total	120.3	(39.5)	80.8	111.8	(37.6)	74.2

in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
	Singapore	61.7	(29.1)	32.6	57.9	(30.1)
Malaysia	117.7	(34.4)	83.3	125.0	(36.7)	88.3
Total	179.4	(63.5)	115.9	182.9	(66.8)	116.1

Key Assumptions

Non-life insurance contract liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Of particular relevance is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions, economic conditions and claims handling procedures. The estimates of the non-life insurance contract liabilities are therefore sensitive to various factors and uncertainties. The actual future premium and claims liabilities will not develop exactly as projected and may vary from initial estimates.

Insurance risk of non-life insurance contracts is mitigated by emphasizing diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Further, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

in Singapore Dollars (millions)	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
As at 31 December 2012					
Provision for adverse deviation margin	+20%	2.8	1.8	(1.8)	(1.7)
Loss ratio	+20%	107.4	82.4	(82.4)	(62.6)
Claim handling expenses	+20%	0.4	2.2	(2.2)	(1.7)
As at 31 December 2011					
Provision for adverse deviation margin	+20%	2.4	1.6	(1.0)	(1.4)
Loss ratio	+20%	115.4	83.0	(83.0)	(63.0)
Claim handling expenses	+20%	0.4	2.0	(2.0)	(1.5)

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

TABLE 35(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

Gross non-life insurance contract liabilities for 2012:

in Singapore Dollars (millions)	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimate of cumulative claims									
Accident Year	59.0	49.3	61.2	57.4	74.8	76.5	126.5	117.7	
One year later	64.6	51.7	64.5	58.2	80.4	95.7	104.2	-	
Two years later	62.7	49.8	59.4	58.3	106.2	92.7	-	-	
Three years later	61.6	48.8	59.5	83.6	102.7	-	-	-	
Four years later	60.5	48.7	86.7	81.5	-	-	-	-	
Five years later	60.2	88.6	85.6	-	-	-	-	-	
Six years later	92.3	87.1	-	-	-	-	-	-	
Seven years later	91.4	-	-	-	-	-	-	-	
Current estimate of cumulative claims	91.4	87.1	85.6	81.5	102.7	92.7	104.2	117.7	
Cumulative payments									
Accident Year	20.9	19.6	22.3	23.4	32.1	30.9	40.0	36.4	
One year later	49.6	37.7	43.4	45.3	57.3	66.4	73.4	-	
Two years later	52.8	42.1	48.8	50.1	85.5	75.5	-	-	
Three years later	54.3	44.1	50.7	72.9	89.4	-	-	-	
Four years later	55.9	44.6	76.8	74.6	-	-	-	-	
Five years later	55.8	83.3	80.3	-	-	-	-	-	
Six years later	88.0	84.0	-	-	-	-	-	-	
Seven years later	87.9	-	-	-	-	-	-	-	
Cumulative payments	87.9	84.0	80.3	74.6	89.4	75.5	73.4	36.4	
Non-life gross claim liabilities	3.5	3.1	5.3	6.9	13.3	17.2	30.8	81.3	161.4
Reserve for prior years									16.8
Unallocated surplus									1.2
General Insurance Fund									
Contract Liabilities, gross									179.4

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

TABLE 35(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date. (continued)

Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2012:

in Singapore Dollars (millions)	2005	2006	2007	2008	2009	2010	2011	2012	Total
Estimate of cumulative claims									
Accident Year	26.4	28.9	31.8	36.4	43.2	51.8	83.5	87.5	
One year later	26.9	29.2	32.7	37.1	46.8	67.9	66.7	-	
Two years later	26.3	28.1	31.5	36.9	67.9	66.0	-	-	
Three years later	25.8	27.6	31.5	56.5	65.3	-	-	-	
Four years later	25.3	27.3	55.2	53.6	-	-	-	-	
Five years later	25.1	61.2	53.4	-	-	-	-	-	
Six years later	51.4	59.2	-	-	-	-	-	-	
Seven years later	51.4	-	-	-	-	-	-	-	
Current estimate of cumulative claims	51.4	59.2	53.4	53.6	65.3	66.0	66.7	87.5	
Cumulative payments									
Accident Year	10.8	12.4	13.4	16.6	21.8	24.3	28.3	30.4	
One year later	20.1	22.0	24.9	29.3	35.9	50.1	50.3	-	
Two years later	22.1	24.0	27.5	31.8	54.3	55.4	-	-	
Three years later	23.0	25.1	28.4	48.4	57.1	-	-	-	
Four years later	23.5	25.4	49.5	49.3	-	-	-	-	
Five years later	23.7	56.7	50.0	-	-	-	-	-	
Six years later	49.5	57.2	-	-	-	-	-	-	
Seven years later	49.8	-	-	-	-	-	-	-	
Cumulative payments	49.8	57.2	50.0	49.3	57.1	55.4	50.3	30.4	
Non-life net claim liabilities	1.6	2.0	3.4	4.3	8.2	10.6	16.4	57.1	103.6
Reserve for prior years									11.1
Unallocated surplus									1.2
General Insurance Fund									
Contract Liabilities, net									115.9

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk

Market risk arises when the market values of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

The Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. In the case of the funds managed by Lion Global Investors, investment risks are borne by investors and the Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. 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. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity price; as well as other risks like credit and liquidity risks are briefly described as follows:

(a) Interest rate risk (including asset liability mismatch).

The Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by Group ALC and the local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the Monetary Authority of Singapore (MAS), the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of Singapore Government Securities (SGS) while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

In 2009, the Group commenced an exercise to achieve portfolio matching of the assets and liabilities of GEL Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the zero-coupon spot yield of SGS of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching program will still be subject to the LTRFDR requirement.

Under Malaysia regulations governed by Bank Negara Malaysia (BNM), the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of Malaysia Government Securities (MGS) with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(b) Foreign currency risk.

Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposure ranging from 15% to 35% are applied to investments in fixed income portfolios at a fund level. Currency risk derived from investments in foreign equities is generally not hedged.

The Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major item for the Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by Bank Negara, Malaysia.

TABLE 35(D): The tables below show the foreign exchange position of the Group's financial assets and liabilities by major currencies:

in Singapore Dollars (millions)	SGD	RM	USD	Others	Total
As at 31 December 2012					
FINANCIAL ASSETS					
Available-for-sale securities					
Equity securities	1,710.7	3,967.6	870.4	2,997.4	9,546.1
Debt securities	10,433.0	13,951.0	5,231.7	198.7	29,814.4
Other investments	434.6	168.3	717.2	235.9	1,556.0
Securities at fair value through profit or loss					
Equity securities	249.7	839.5	148.0	914.1	2,151.3
Debt securities	26.8	337.9	277.0	182.0	823.7
Other investments	608.6	71.4	161.6	196.9	1,038.5
Financial instruments with embedded derivatives					
Derivative financial assets	488.8	0.2	0.7	1.0	490.7
Loans	645.9	438.1	-	-	1,084.0
Insurance receivables	941.3	1,619.0	2.8	19.3	2,582.4
Other debtors and interfund balances					
	1,366.1	512.2	3.6	20.7	1,902.6
Cash and cash equivalents	2,812.2	808.9	463.8	127.7	4,212.6
	20,547.0	23,497.7	7,992.4	5,060.9	57,098.0
FINANCIAL LIABILITIES					
Other creditors and interfund balances					
	1,758.7	664.0	5.4	33.4	2,461.5
Insurance payables	841.8	1,935.7	1.8	11.9	2,791.2
Derivative financial liabilities	24.7	-	13.6	3.7	42.0
Provision for agents' retirement benefits					
	-	245.2	-	-	245.2
Debt issued	399.2	-	-	-	399.2
General insurance fund contract liabilities					
	61.8	117.6	-	-	179.4
Life assurance fund contract liabilities					
	25,414.9	15,399.8	395.8	273.5	41,484.0
	28,501.1	18,362.3	416.6	322.5	47,602.5

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(b) Foreign currency risk. (continued)

TABLE 35(D): The tables below show the foreign exchange position of the Group's financial assets and liabilities by major currencies: (continued)

in Singapore Dollars (millions)	SGD	RM	USD	Others	Total
<u>As at 31 December 2011</u>					
<u>FINANCIAL ASSETS</u>					
Available-for-sale securities					
Equity securities	2,640.6	3,906.0	1,168.6	2,346.4	10,061.6
Debt securities	7,874.0	11,899.8	3,810.3	438.7	24,022.8
Other investments	331.9	106.3	737.4	232.9	1,408.5
Securities at fair value through profit or loss					
Equity securities	231.8	694.9	180.0	797.6	1,904.3
Debt securities	27.1	228.9	280.2	184.2	720.4
Other investments	636.7	50.2	74.0	181.7	942.6
Financial instruments with embedded derivatives					
Derivative financial assets	724.1	5.5	157.3	205.8	1,092.7
Loans	429.0	-	7.7	1.3	438.0
Insurance receivables	957.8	244.7	-	-	1,202.5
Other debtors and interfund balances	938.5	1,597.7	2.6	19.3	2,558.1
Cash and cash equivalents	1,033.6	457.1	3.1	23.9	1,517.7
	4,609.8	2,153.1	361.1	124.9	7,248.9
	20,434.9	21,344.2	6,782.3	4,556.7	53,118.1
<u>FINANCIAL LIABILITIES</u>					
Other creditors and interfund balances	1,678.3	649.1	1.8	35.7	2,364.9
Insurance payables	841.7	1,660.2	2.9	12.7	2,517.5
Derivative financial liabilities	7.3	7.7	33.5	13.6	62.1
Provision for agents' retirement benefits	-	231.0	-	0.3	231.3
Amount due to joint venture	-	-	-	0.1	0.1
Debt issued	399.1	-	-	-	399.1
General insurance fund contract liabilities					
Life assurance fund contract liabilities	57.9	125.0	-	-	182.9
	24,320.1	14,449.9	236.7	283.0	39,289.7
	27,304.4	17,122.9	274.9	345.4	45,047.6

The Group has no significant concentration of foreign currency risk.

- (c) **Equity price risk.** Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Group, through investments in both Shareholders' Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

- (d) **Credit spread risk.** Exposure to credit spread risk exists in the Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of the Group's bond portfolio.
- (e) **Alternative investment risk.** The Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RIC and Group ALC.
- (f) **Commodity risk.** The Group does not have a direct or significant exposure to commodity risk.
- (g) **Cash flow and liquidity risk.** Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in insurance contracts also protects the Group from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk. (continued)

Maturity Profile

TABLE 35(E1): The following tables show the expected recovery or settlement of financial assets and maturity profile of the Group's financial liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities.

in Singapore Dollars (millions)	Carrying Amount	< 1 Year	1 - 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2012						
FINANCIAL ASSETS						
Available-for-sale securities						
Equity securities	9,546.1	-	-	-	9,546.1	9,546.1
Debt securities	29,814.4	2,694.0	9,438.1	27,061.2	-	39,193.3
Other investments	1,556.0	-	-	-	1,556.0	1,556.0
Securities at fair value through profit or loss						
Equity securities	2,151.3	-	-	-	2,151.3	2,151.3
Debt securities	823.7	127.9	239.2	754.5	-	1,121.6
Other investments	1,038.5	-	-	-	1,038.5	1,038.5
Financial instruments with embedded derivatives						
Loans	1,895.7	434.0	1,282.5	592.5	11.7	2,320.7
Insurance receivables	1,084.0	162.7	986.5	75.7	-	1,224.9
Other debtors and interfund balances	2,582.4	264.4	1.0	-	2,317.0	2,582.4
Cash and cash equivalents	1,902.6	1,793.8	26.6	38.2	44.0	1,902.6
	4,212.6	4,212.6	-	-	-	4,212.6
	56,607.3	9,689.4	11,973.9	28,522.1	16,664.6	66,850.0
FINANCIAL LIABILITIES						
Other creditors and interfund balances						
Insurance payables	2,461.5	2,250.4	175.2	35.9	-	2,461.5
Provision for agents' retirement benefits	2,791.2	2,365.2	408.3	1.7	16.0	2,791.2
Debt issued	245.2	63.8	47.4	134.0	-	245.2
General insurance fund contract liabilities	399.2	18.4	73.6	464.4	-	556.4
Life assurance fund contract liabilities	179.4	159.1	4.2	-	16.1	179.4
	41,484.0	5,674.4	5,721.7	30,087.9	-	41,484.0
	47,560.5	10,531.3	6,430.4	30,723.9	32.1	47,717.7

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk. (continued)

Maturity Profile (continued)

TABLE 35(E1): The following tables show the expected recovery or settlement of financial assets and maturity profile of the Group's financial liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities. (continued)

in Singapore Dollars (millions)	Carrying Amount	< 1 Year	1 - 5 Years	> 5 Years	No maturity date	Total
<u>As at 31 December 2011</u>						
<u>FINANCIAL ASSETS</u>						
Available-for-sale securities						
Equity securities	10,061.6	-	-	-	10,061.6	10,061.6
Debt securities	24,022.8	3,850.5	9,192.1	21,736.0	-	34,778.6
Other investments	1,408.5	-	-	-	1,408.5	1,408.5
Securities at fair value through profit or loss						
Equity securities	1,904.3	-	-	-	1,904.3	1,904.3
Debt securities	720.4	73.5	275.7	698.3	-	1,047.5
Other investments	942.6	-	-	-	942.6	942.6
Financial instruments with embedded derivatives						
Loans	1,092.7	238.6	1,114.1	329.3	4.7	1,686.7
Insurance receivables	1,202.5	367.1	845.1	100.6	-	1,312.8
Other debtors and interfund balances	2,558.1	255.4	0.5	-	2,302.2	2,558.1
Cash and cash equivalents	1,517.7	1,367.7	120.3	13.1	16.6	1,517.7
	7,248.9	7,248.9	-	-	-	7,248.9
	52,680.1	13,401.7	11,547.8	22,877.3	16,640.5	64,467.3
<u>FINANCIAL LIABILITIES</u>						
Other creditors and interfund balances						
Insurance payables	2,364.9	2,074.4	275.8	14.7	-	2,364.9
Provision for agents' retirement benefits	2,517.5	2,052.3	458.8	1.8	4.6	2,517.5
Amount due to joint venture	231.3	59.9	44.5	126.9	-	231.3
Debt issued	0.1	0.1	-	-	-	0.1
General insurance fund contract liabilities	399.1	18.4	73.6	482.8	-	574.8
Life assurance fund contract liabilities	182.9	152.6	15.0	0.3	15.0	182.9
	39,289.7	6,686.0	6,652.1	25,951.6	-	39,289.7
	44,985.5	11,043.7	7,519.8	26,578.1	19.6	45,161.2

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk. (continued)

TABLE 35(E2): The following tables show the current/non-current classification of assets and liabilities:

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
As at 31 December 2012				
ASSETS				
Cash and cash equivalents	3,766.6	-	446.0	4,212.6
Other debtors and interfund balances	1,222.1	609.6	70.9	1,902.6
Insurance receivables	313.2	2,269.2	-	2,582.4
Loans	140.9	943.1	-	1,084.0
Derivative financial assets	74.6	414.7	1.4	490.7
Investments	6,985.5	35,721.3	4,118.9	46,825.7
Assets held for sale	3.0	-	-	3.0
Associates and joint ventures	-	322.9	-	322.9
Goodwill	-	34.1	-	34.1
Property, plant and equipment	-	711.4	-	711.4
Investment properties	-	1,531.6	-	1,531.6
	12,505.9	42,557.9	4,637.2	59,701.0
LIABILITIES				
Insurance payables	2,362.8	409.9	18.5	2,791.2
Other creditors and interfund balances	2,065.1	236.1	160.3	2,461.5
Unexpired risk reserve	120.3	-	-	120.3
Derivative financial liabilities	3.7	33.9	4.4	42.0
Income tax	479.9	-	7.9	487.8
Provision for agents' retirement benefits	63.8	181.4	-	245.2
Deferred tax	-	1,057.4	12.5	1,069.9
Debt issued	-	399.2	-	399.2
General insurance fund	159.1	27.4	-	186.5
Life assurance fund	1,167.7	41,375.4	4,514.8	47,057.9
	6,422.4	43,720.7	4,718.4	54,861.5

* expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk. (continued)

TABLE 35(E2): The following tables show the current/non-current classification of assets and liabilities: (continued)

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
<u>As at 31 December 2011</u>				
<u>ASSETS</u>				
Cash and cash equivalents	6,755.8	-	493.1	7,248.9
Other debtors and interfund balances	934.9	541.6	41.2	1,517.7
Insurance receivables	306.3	2,251.8	-	2,558.1
Loans	353.2	849.3	-	1,202.5
Derivative financial assets	99.0	335.8	3.2	438.0
Investments	6,664.6	29,908.5	3,579.8	40,152.9
Assets held for sale	4.4	-	-	4.4
Associates and joint ventures	-	320.2	-	320.2
Goodwill	-	26.1	-	26.1
Property, plant and equipment	-	722.0	-	722.0
Investment properties	-	1,411.8	-	1,411.8
	15,118.2	36,367.1	4,117.3	55,602.6
<u>LIABILITIES</u>				
Insurance payables	2,042.5	460.0	15.0	2,517.5
Other creditors and interfund balances	2,128.7	171.7	64.5	2,364.9
Unexpired risk reserve	111.8	-	-	111.8
Derivative financial liabilities	24.4	33.5	4.2	62.1
Income tax	412.4	-	5.5	417.9
Provision for agents' retirement benefits	59.9	171.4	-	231.3
Amount due to joint venture	0.1	-	-	0.1
Deferred tax	-	937.2	8.7	945.9
Debt issued	-	399.1	-	399.1
General insurance fund	152.6	36.1	-	188.7
Life assurance fund	2,605.8	37,733.0	4,082.0	44,420.8
	7,538.2	39,942.0	4,179.9	51,660.1

* expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

- (h) **Credit risk.** Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in bonds, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. Group wide credit risk is managed by Group ALC. The Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

The Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

The loans in the Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by the Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

in Singapore Dollars (millions)	Type of Collateral	Carrying Amount of Loans	Fair Value of Collateral
As at 31 December 2012			
Secured loans	Properties	1,081.3	2,624.9
	Others	1.9	1.3
Policy loans	Cash value of policies	2,268.2	4,443.4
		3,351.4	7,069.6
As at 31 December 2011			
Secured loans	Properties	1,200.7	3,160.4
	Others	1.1	1.0
Policy loans	Cash value of policies	2,251.3	4,352.1
		3,453.1	7,513.5

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) Credit risk. (continued)

There were no investments lent and collateral received under securities lending arrangements as at 31 December 2012 (31 December 2011: nil).

As at the balance sheet date, no investments (2011: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under terms and conditions that are usual and customary for standard securities borrowing and lending activities.

The tables below show the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting or collateral agreements and the use of credit derivatives. For derivatives, the fair value shown on the balance sheet represents the current risk exposure but not the maximum risk exposure that could arise in the future as a result of the change in value. The tables also provide information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

in Singapore Dollars (millions)	Neither past-due nor impaired			Unit-linked	Not subject to credit risk	Past due**	Total
	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)	Not Rated				
As at 31 December 2012							
Available-for-sale securities							
Equity securities	-	-	-	-	9,546.1	-	9,546.1
Debt securities	26,157.8	192.6	3,464.0	-	-	-	29,814.4
Other investments	-	-	-	-	1,556.0	-	1,556.0
Securities at fair value through profit or loss							
Equity securities	-	-	-	2,151.3	-	-	2,151.3
Debt securities	-	-	2.2	821.5	-	-	823.7
Other investments	-	-	-	1,038.5	-	-	1,038.5
Financial instruments with embedded derivatives							
Derivative financial assets	488.8	-	0.5	1.4	-	-	490.7
Loans	-	-	1,084.0	-	-	-	1,084.0
Insurance receivables	0.9	-	2,547.1	-	-	34.4	2,582.4
Other debtors and interfund balances							
Cash and cash equivalents	3,584.7	-	182.1	445.8	-	-	4,212.6
	30,917.2	195.0	10,210.2	4,637.0	11,103.6	35.0	57,098.0

* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

** An aging analysis for financial assets past due is provided below.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) Credit risk. (continued)

in Singapore Dollars (millions)	Neither past-due nor impaired			Unit-linked	Not subject to credit risk	Past due**	Total
	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)	Not Rated				
<u>As at 31 December 2011</u>							
Available-for-sale securities							
Equity securities	-	-	-	-	10,061.6	-	10,061.6
Debt securities	21,754.0	204.3	2,064.5	-	-	-	24,022.8
Other investments	-	-	-	-	1,408.5	-	1,408.5
Securities at fair value through profit or loss							
Equity securities	-	-	-	1,904.3	-	-	1,904.3
Debt securities	-	-	1.6	718.8	-	-	720.4
Other investments	-	-	-	942.6	-	-	942.6
Financial instruments with embedded derivatives							
	221.1	14.0	801.8	11.3	44.5	-	1,092.7
Derivative financial assets	434.7	-	0.1	3.2	-	-	438.0
Loans	-	-	1,202.5	-	-	-	1,202.5
Insurance receivables	0.8	-	2,531.1	-	-	26.2	2,558.1
Other debtors and interfund balances							
	-	-	1,474.9	40.1	-	2.7	1,517.7
Cash and cash equivalents	6,586.8	-	169.1	493.0	-	-	7,248.9
	28,997.4	218.3	8,245.6	4,113.3	11,514.6	28.9	53,118.1

* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

** An aging analysis for financial assets past due is provided below.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) Credit risk. (continued)

Aging analysis of financial assets past due:

in Singapore Dollars (millions)	Past due but not impaired			Total	Past due and impaired	Total
	< 6 months	6 months to 12 months	> 12 months			
As at 31 December 2012						
Insurance receivables	27.3	6.4	0.7	34.4	8.2	42.6
Other debtors and interfund balances	0.4	-	0.2	0.6	0.1	0.7
	27.7	6.4	0.9	35.0	8.3	43.3
As at 31 December 2011						
Insurance receivables	23.4	2.6	0.2	26.2	13.2	39.4
Other debtors and interfund balances	2.4	0.1	0.2	2.7	-	2.7
	25.8	2.7	0.4	28.9	13.2	42.1

For assets to be classified as “past due and impaired”, contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.

- (i) **Concentration risk.** An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. The Group’s exposures are within the concentration limits set by the respective local regulators.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

- (j) **Sensitivity analysis on financial risks.** The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the Profit and Loss Statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after tax and the effect on changes in fair value of financial assets held in Shareholders’ Funds.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(j) Sensitivity analysis on financial risks. (continued)

Market risk sensitivity analysis:

in Singapore Dollars (millions)	Impact on Profit After Tax		Impact on Equity	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Change in variables:				
(a) Interest Rate				
+ 100 basis points	(156.9)	(77.7)	(255.6)	(121.2)
- 100 basis points	(2.7)	(45.0)	73.4	(13.0)
(b) LTRFDR⁽¹⁾				
+ 10 basis points	16.9	16.0	16.9	16.0
- 10 basis points	(17.5)	(16.7)	(17.5)	(16.7)
(c) Foreign Currency				
5% increase in market value of foreign currency denominated assets	13.3	12.3	51.2	45.3
5% decrease in market value of foreign currency denominated assets	(13.3)	(12.3)	(51.2)	(45.3)
(d) Equity				
20% increase in market indices:				
- STI	14.6	1.3	34.9	93.1
- KLCI	0.4	0.4	16.9	13.8
20% decrease in market indices:				
- STI	(14.6)	(1.3)	(34.9)	(93.1)
- KLCI	(0.4)	(0.4)	(16.9)	(13.8)
(e) Credit				
Spread + 100 basis points	(263.1)	(197.2)	(312.7)	(227.2)
Spread - 100 basis points	263.1	197.2	312.7	227.2
(f) Alternative Investments⁽²⁾				
10% increase in market value of all alternative investments	15.9	17.8	22.5	21.8
10% decrease in market value of all alternative investments	(15.9)	(17.8)	(22.5)	(21.8)

(1) LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.

(2) Alternative Investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(j) Sensitivity analysis on financial risks. (continued)

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- laws, regulations and rules governing insurance business and financial activities undertaken by Great Eastern
- codes of practice promoted by industry associations
- internal standards and guidelines.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. GMT reviews operational and compliance issues on a group basis at its monthly meetings while local level issues are managed and monitored by the local SMTs. The Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

36.1 The following table shows an analysis of financial instruments that are carried at fair value by level of fair value hierarchy:

in Singapore Dollars (millions)	Level 1 - Quoted market price	Level 2 - Valuation techniques - market observable inputs	Level 3 - Valuation techniques - unobservable inputs	Total fair value
As at 31 December 2012				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	-	23.7	-	23.7
Currency swaps	-	320.6	-	320.6
Interest rates				
Swaps	-	146.1	-	146.1
Exchange traded futures	-	0.2	-	0.2
Equity				
Options	-	0.1	-	0.1
	-	490.7	-	490.7
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	8,933.3	-	-	8,933.3
Unquoted equity securities	-	612.8	-	612.8
Debt securities				
Quoted debt securities	17,097.3	73.7	-	17,171.0
Unquoted debt securities	-	12,643.4	-	12,643.4
Other investments				
Collective investment schemes	875.1	680.9	-	1,556.0
	26,905.7	14,010.8	-	40,916.5
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	2,151.3	-	-	2,151.3
Debt securities				
Quoted debt securities	386.0	2.1	-	388.1
Unquoted debt securities	-	435.6	-	435.6
Other investments				
Collective investment schemes	1,038.4	0.1	-	1,038.5
	3,575.7	437.8	-	4,013.5
Financial assets held-for-trading				
Financial instruments with embedded derivatives	880.6	900.7	114.4	1,895.7
	31,362.0	15,840.0	114.4	47,316.4
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	-	8.4	-	8.4
Currency swaps	-	32.7	-	32.7
Interest rates				
Swaps	-	0.8	-	0.8
Exchange traded futures	-	0.1	-	0.1
	-	42.0	-	42.0

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

36.1 The following table shows an analysis of financial instruments that are carried at fair value by level of fair value hierarchy: (continued)

in Singapore Dollars (millions)	Level 1 - Quoted market price	Level 2 - Valuation techniques - market observable inputs	Level 3 - Valuation techniques - unobservable inputs	Total fair value
<u>As at 31 December 2011</u>				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	-	16.1	-	16.1
Currency swaps	-	311.6	-	311.6
Interest rates				
Swaps	-	109.4	-	109.4
Exchange traded futures	-	0.8	-	0.8
Equity				
Options	-	0.1	-	0.1
	-	438.0	-	438.0
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	9,393.8	-	-	9,393.8
Unquoted equity securities	-	667.8	-	667.8
Debt securities				
Quoted debt securities	13,111.3	76.8	-	13,188.1
Unquoted debt securities	-	10,834.7	-	10,834.7
Other investments				
Collective investment schemes	696.1	712.4	-	1,408.5
	23,201.2	12,291.7	-	35,492.9
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	1,904.3	-	-	1,904.3
Debt securities				
Quoted debt securities	337.9	5.8	-	343.7
Unquoted debt securities	-	376.7	-	376.7
Other investments				
Collective investment schemes	942.6	-	-	942.6
	3,184.8	382.5	-	3,567.3
Financial assets held-for-trading				
Financial instruments with embedded derivatives	888.2	138.8	65.7	1,092.7
	27,274.2	13,251.0	65.7	40,590.9
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	-	31.0	-	31.0
Currency swaps	-	24.4	-	24.4
Interest rates				
Swaps	-	6.7	-	6.7
	-	62.1	-	62.1

Comparatives have been restated to conform to current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair Value Hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 assets are for those which market values are determined in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 assets are for those which market values are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These type of assets includes assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained from counterparties and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Level 3 assets are for those which market values are measured using a valuation technique based on assumptions formed from unobservable inputs. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given prevailing market conditions.

During the year, the Group refined the disclosure approach in determining the Fair Value Hierarchy classification for quoted corporate bonds. As a result of this assessment, some of the quoted corporate bonds amounting to \$7,360.6m as at 31 December 2011 were reclassified from Level 2 to Level 1.

Movements in Level 3 financial instruments measured at fair value

The following table presents the reconciliation for all financial instruments measured at fair value based on significant unobservable inputs (Level 3):

in Singapore Dollars (millions)	Group			
	As at 31 December 2012		As at 31 December 2011	
	Financial assets held-for-trading		Financial assets held-for-trading	
	Financial Instruments with Embedded Derivatives	Total	Financial Instruments with Embedded Derivatives	Total
Opening balance	65.7	65.7	90.0	90.0
Total gains or losses:				
- in profit or loss ⁽¹⁾	48.7	48.7	(24.3)	(24.3)
Closing balance	114.4	114.4	65.7	65.7
Total gains or losses for the year included in profit or loss ⁽¹⁾ for assets held at 31 December	48.7	48.7	(24.3)	(24.3)

⁽¹⁾ Included in "Gain on sale of investments and changes in fair value".

There have been no transfers from Level 1 and Level 2 to Level 3 during the financial years ended 31 December 2012 and 2011.

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Impact of changes to key assumptions on fair value of Level 3 financial instruments

The following table shows the impact on fair value of Level 3 financial instruments by using reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

in Singapore Dollars (millions)	Group	
	As at 31 December 2012	
	Carrying amount	Effect of reasonably possible alternative assumptions Profit or loss
Financial assets held-for-trading		
Financial instruments with embedded derivatives	114.4	1.4

in Singapore Dollars (millions)	Group	
	As at 31 December 2011	
	Carrying amount	Effect of reasonably possible alternative assumptions Profit or loss
Financial assets held-for-trading		
Financial instruments with embedded derivatives	65.7	(2.6)

For financial instruments with embedded derivatives, the fair value has been determined using a valuation model where the correlation of default relationships among reference entities is a key assumption but not supportable by observable market data. The Group adjusted the assumptions by 20% (2011: 20%) from management's estimates, which is considered by the Group to be a reasonably possible but conservative alternative based on prevailing market conditions.

36.2 The carrying amounts of the Group's and the Company's financial assets and liabilities approximate their fair value, either due to their short-term nature or because they are floating rate instruments that are re-priced to market interest rates on or near the balance sheet date, except as disclosed below:

in Singapore Dollars (millions)	Group				Company			
	31 Dec 2012		31 Dec 2011		31 Dec 2012		31 Dec 2011	
	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets								
Available-for-sale financial assets								
Unquoted equity securities	51.8	#	50.4	#	-	-	-	-
Financial liabilities								
Debt issued	399.2	426.3	399.1	416.5	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Unquoted equity securities

It is not practicable to determine the fair values of the above unquoted equity investments because of the lack of unquoted market prices and the assumptions used in the valuation models to value these investments cannot be reasonably determined. However, the cash flows from these investments are expected to be in excess of their carrying amounts.

The Group does not intend to dispose of these investments in the foreseeable future. The Group intends to eventually dispose of these investments through sale to institutional investors.

Debt issued

Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

37 DIVIDENDS

in Singapore Dollars (millions)	Group and Company	
	2012	2011
Final tax exempt (one-tier) dividend for the previous year of 27 cents per ordinary share (2011: nil)	127.8	-
Interim tax exempt (one-tier) dividend for the previous year of 10 cents per ordinary share (2011: 10 cents per ordinary share)	47.3	47.3
	175.1	47.3

The Directors proposed that a final tax exempt (one-tier) dividend of 27 cents per ordinary share and a special tax exempt (one-tier) dividend of 27 cents per ordinary share, totalling 54 cents per ordinary share amounting to \$255.6 million (2011: \$127.8 million) be paid in respect of the financial year ended 31 December 2012. These have not been recognised as distributions to shareholders.

There are no income tax consequences attached to the dividend to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

38 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 7 February 2013, the Board authorised these financial statements for issue and that two Directors of the Board, Mrs Fang Ai Lian and Mr Christopher Wei, sign the Directors' Report on behalf of the Board.

LIST OF MAJOR PROPERTIES

SINGAPORE PROPERTIES - 100% HELD BY THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED:

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
Great Eastern Centre 1 Pickering Street	99 years leasehold (Expiry date: 31 August 2096)	6,600	21,515 (strata area excluding voids)	Commercial - Offices
Orchard Gateway @ Emerald 216 & 218 Orchard Road	Freehold	1,444	-	Commercial - Retail & Offices Under redevelopment Estimated completion : 2013
Great Eastern @ Changi 200 Changi Road	Freehold	3,503	10,891	Commercial - Offices
Great Eastern House 49 Beach Road	999 years leasehold (Expiry date: 29 January 2834)	730	3,334	Commercial - Offices
Holland GEMS 1, 3 & 5 Taman Nakhoda	Freehold	8,685	13,895	Residential - 64-unit condominium
Gallop Court 6, 6A, 6B Gallop Road	Freehold	8,225	5,565	Residential - 25-unit condominium
Gallop Gardens 1, 1A, 1B, 1C, 3, 3A, 3B, 3C Tyersall Road	Freehold	12,636	4,805	Residential - 8-unit-Good Class Bungalows
Newton GEMS 50, 52 & 54 Newton Road Lot 660 TS 28, Newton Road and Lot 56 TS 28, Lincoln Road	Freehold 999 years leasehold (Expiry date: 12 February 2884)	2,809 6,945	28,819	Residential - 190-unit condominium
3 Pickering Street	99 years leasehold (Expiry date: 31 August 2096)	7,086	15,004 (strata area excluding voids)	Commercial - Retail & Offices 65-unit shop houses

MALAYSIA PROPERTIES - 100% HELD BY GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD:

Menara Great Eastern / Great Eastern Mall 303 Jalan Ampang Kuala Lumpur	Freehold	25,600	149,464	Commercial - Retail and Offices
40, 44, 50 & 68 Jln Ampang Kuala Lumpur	Freehold	2,880	10,673	Commercial - Offices

LIST OF MAJOR PROPERTIES

MALAYSIA PROPERTIES - 100% HELD BY GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD: (continued)

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
Seri Hening Residence 28, Jln Ampang Hilir, K.Lumpur	Freehold	21,484	53,111	Residential - Condominiums
Shell Garden, Port Dickson Negeri Sembilan	Freehold	16,349	-	Residential land
65 Jalan Gaya, Kota Kinabalu, Sabah	99 years leasehold (Expiry date: 31 December 2093)	718	8,853	Commercial - Offices
25, Light Street, Penang	Freehold	4,842	14,629	Commercial - Offices
No. 103, 105, 107 & 109 Jalan Yam Tuan, Seremban Negeri Sembilan	Freehold	980	5,821	Commercial - 5-storey Retail & Offices
Lot Q169-Q173 Plz Mahkota Melaka	99 years leasehold (Expiry date: 18 July 2101)	531	2,127	Commercial - 4-storey Retail & Offices
25 Jalan Dato Lim Hoe Lek Kuantan	99 years leasehold (Expiry date: 2 September 2093)	507	1,525	Commercial -3-storey Shop Office
Menara Weld / The Weld 76 Jln Raja Chulan, Kuala Lumpur	Freehold	6,404	75,126	Commercial - 30-storey building with a 4 levels basement, 5 levels of shopping & 26 floors of office.
113, Jalan Tun Haji Openg, Kuching, Sarawak	837 years leasehold (Expiry date: 31 December 2774)	3,359	335	Residential - 1 storey detached house
Nos. 10a to 10i, Jln Brooks Drive Sibu, Sarawak	Leasehold (Expiry date: 31 December 2923)	1,015	3,850	9 units of 4-storey shophouses
Lot 48, 49, 50 & 51 Greentown Avenue, Ipoh	99 years leasehold (Title pending)	strata title	3,095	4 units of 4-storey shopoffices
Lot 72342 Mutiara Damansara	Freehold	4,490	-	Vacant commercial land
52 & 54 Jalan Ampang Kuala Lumpur	Freehold	1,209	3,268	Commercial - Offices

LIST OF MAJOR PROPERTIES

MALAYSIA PROPERTIES - 100% HELD BY OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD:

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
Nos 17 - 21 Jalan Medan Tuanku Satu Medan Tuanku 50300 Kuala Lumpur	Freehold	613	2,973	Commercial - Offices
No 1, Jalan 6/7, 46000, Petaling Jaya	99 years leasehold (Expiry date: 25 July 2054)	823	-	Residential

INDONESIA PROPERTIES - 100% HELD BY P.T. GREAT EASTERN LIFE INDONESIA:

Menara Karya Building Jl.HR.Rasuna Said Blok X-5, Kav. 1-2 Setiabudi Kuningan, Jakarta Selatan 12950	Freehold	6,109	1,318	Commercial - Offices
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SHAREHOLDING STATISTICS

as at 4 March 2013

Total Number of Issued Shares	:	473,319,069 shares
Class of Shares	:	Ordinary shares
Voting Rights	:	The Articles of Association provide for:
	(a)	on a show of hands: 1 vote
	(b)	on a poll: 1 vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	%	No. of Shares	%
1 – 999	65	3.38	16,297	0.00
1,000 – 10,000	1,572	81.70	3,961,043	0.84
10,001 – 1,000,000	276	14.35	20,371,008	4.30
1,000,001 and above	11	0.57	448,970,721	94.86
Total	1,924	100.00	473,319,069	100.00

TWENTY LARGEST SHAREHOLDERS (ACCORDING TO THE REGISTER OF MEMBERS)

Shareholders (Members)	No. of Shares	%
1 Oversea-Chinese Bank Nominees Private Limited	403,170,489	85.18
2 HSBC (Singapore) Nominees Private Limited	10,558,995	2.23
3 Eastern Realty Company Limited	9,425,619	1.99
4 Citibank Nominees Singapore Private Limited	6,578,052	1.39
5 DBS Nominees (Private) Limited	5,997,978	1.27
6 Wong Hong Sun	3,178,000	0.67
7 Wong Hong Yen	3,051,668	0.64
8 Kuchai Development Berhad	3,032,000	0.64
9 Sungei Bagan Rubber Company (Malaya) Berhad	1,733,120	0.37
10 Shaw Vee Meng	1,208,000	0.26
11 Shaw Vee Foong	1,036,800	0.22
12 DBSN Services Private Limited	773,000	0.16
13 Lee Hak Heng	728,150	0.15
14 United Overseas Bank Nominees (Private) Limited	577,620	0.12
15 Lee Seok Chee	560,480	0.12
16 Yeap Holdings (Private) Limited	487,238	0.10
17 The Estate of Alan Loke (Deceased)	455,094	0.10
18 Yeo Kok Seng	454,000	0.10
19 The Bank of East Asia (Nominees) Private Limited	437,000	0.09
20 Mrs Svasti Nellie Nee Wong Nellie or Svasti Daniel Y K P	415,880	0.09
Total	453,859,183	95.89

SHAREHOLDING STATISTICS

as at 4 March 2013

SUBSTANTIAL SHAREHOLDER

(ACCORDING TO THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 4 MARCH 2013)

	DIRECT INTEREST	DEEMED INTEREST	TOTAL INTEREST	
	No. of Shares	No. of Shares	No. of Shares	Percentage of issued shares
Oversea-Chinese Banking Corporation Limited ("OCBC Bank")	402,521,889 ⁽¹⁾	10,059,219 ⁽²⁾	412,581,108	87.17

Notes:

⁽¹⁾ Shares registered in the name of Oversea-Chinese Bank Nominees Private Limited

⁽²⁾ OCBC Bank is deemed to have an interest in 10,059,219 shares held by the following:

Name of Company	No. of Shares
Eastern Realty Company Limited	9,425,619
Singapore Building Corporation Limited (shares registered in the name of Oversea-Chinese Bank Nominees Private Limited)	633,600
Total deemed interest	10,059,219

Based on information available to the Company as at 4 March 2013, approximately 13% of the issued ordinary shares of the Company is held by the public, and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

MANAGEMENT TEAM

GROUP

Great Eastern Holdings Limited

Christopher Wei

Group Chief Executive Officer

Tony Cheong

Group Chief Financial Officer

Andrew Lee

Group Chief Marketing & Distribution Officer

Khoo Kah Siang (Dr)

Chief Executive Officer, Singapore

Dato Koh Yaw Hui

Chief Executive Officer, Malaysia

Yoon Mun Thim

Group Chief Investment Officer

Ho Ming Heng

Managing Director,
Group Operations & IT

Chin Wee Cheak

Head, Group Audit

Jennifer Wong Pakshong

Group Company Secretary
and General Counsel

Ronnie Tan

Head, Group Risk Management

Loo Boon Teik

Group Actuary

David Chiang Boon Kong

Managing Director,
Group Human Capital

SINGAPORE

The Great Eastern Life Assurance Company Limited

The Overseas Assurance Corporation Limited

Khoo Kah Siang (Dr)

Chief Executive Officer

Koo Chung Chang

Chief Financial Officer

Ben Tan

Chief Distribution Officer

Colin Chan

Chief Marketing Officer

Lee Swee Kiang

Chief Product Officer

Leow Yung Khee (Dr)

Head, General & Group Insurance,
and Claims

Jesslyn Tan

Chief Executive Officer,
Great Eastern Financial Advisers

Jerry Ng

Head, Life Bancassurance

Patrick Kok

Head, Operations

Koh Peck Hoon

Head, Human Capital

Tan Seck Geok

Head, Corporate Communications

Cheung Kwok Kei

Appointed Actuary & Head of Actuarial

Teh Kor Lak

Chief Information Officer

Ronnie Tan

Head, Risk Management & Compliance

Joys Wiraatmadja

Chief Internal Auditor

Tan Mui Jun

Head, Investment Management

Wendy Anne Teo

Senior Legal Counsel

MALAYSIA

Great Eastern Life Assurance (Malaysia) Berhad

Dato Koh Yaw Hui

Chief Executive Officer

Raymond Ong Eng Siew

Chief Financial Officer

Richard Lin Kwok Wing

Chief Investment Officer

Song Hock Wan

Chief Distribution Officer

Nicholas Kua Choo Ming

Chief Marketing Officer

Jeffrey Yem Voon Cheat

Chief Operations Officer

Chan Chee Wei

Head, Bancassurance

Yap Chee Keong

Appointed Actuary

MANAGEMENT TEAM

Cheong Soo Ching

Head, Risk Management & Compliance

Vincent Chin Kok Lean

Head, Information Technology

Liza Hanim Binti Zainal Abidin

Company Secretary

Datin Nancy Lim

Head, Human Capital

Audra Chung Kit Li

Chief Internal Auditor

Bruce Lee Yee Lam

Head, Property & Corporate Services

Overseas Assurance Corporation (Malaysia) Berhad

Ng Kok Kheng

Chief Executive Officer

Lee Pooi Hor

Chief Operations Officer

Kevin Choong Wui Teck

Chief Distribution Officer

Yap Foo Vee

Head, Technical Operations

Chong Kah Lay

Head, General Operations

Tang Yoke Kuen

Head, Claims Management

Great Eastern Takaful Sdn Bhd

Zafri Ab Halim

Chief Executive Officer and Chief Financial Officer

Shizal Fisham Ramli

Head, Actuarial & Product

Ariff Azhan Abd Ghani

Head, Agency Distribution

Mohd Hanafi Mohd Isa

Head, Partnership Distribution

Mohd Hafiz Johari

Head, Human Capital

Wan Ahmad Najib Wan Ahmad Lotfi

Head, Strategic Management & Shariah

Shapini Abdul Halim

Head, Legal & Secretarial

INDONESIA

PT Great Eastern Life Indonesia

Ivan Chak

Chief Executive Officer

Windawati Tjahjadi

Chief Financial Officer

Yannes Chandra

Chief Information Technology Officer

Gary Chuang Peck San

Chief Distribution Officer

Ang Chee Leong

Chief Agency Officer

Francis Seo

Head, Bancassurance

Yungki Aldrin

Head, Human Capital

Bachtiar

Head, Operations

Sariniatun

Head, Risk Management & Compliance

VIETNAM

Great Eastern Life (Vietnam) Co Ltd

Laurence Wong Yuen Tin

Chief Executive Officer

Ong Khai Sheong

Chief Operations Officer

Lao Tri Duong

Chief Agency Officer

Lee Kok San

Appointed Actuary

Huynh Kim Tu

Head, Finance & Investment

Nguyen Hoang Thuy Trang

Head, Marketing & Corporate Communications

CHINA

Beijing Representative Office

Ji Chunyan

Chief Representative

BRUNEI

Caroline Sim

Acting Head

GROUP NETWORK

SINGAPORE

Great Eastern Holdings Limited The Great Eastern Life Assurance Company Limited

The Overseas Assurance Corporation Limited

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Great Eastern House
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Great Eastern Financial Advisers Private Limited

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MALAYSIA

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Branch Offices

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Kluang
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Kota Kinabalu
Wisma Great Eastern
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2nd Floor, 6F
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GROUP NETWORK

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Malaysia
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Miri

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Sandakan

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Seremban

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Sibu

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Taiping

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Tawau

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Overseas Assurance Corporation (Malaysia) Berhad

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Branch Offices

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GROUP NETWORK

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INDONESIA

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PT Great Eastern Life Indonesia has
a Syariah Unit in Jakarta.

Sales Offices

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Bandung

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Medan

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Pekanbaru

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Jambi

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Batam

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Palembang

Komp. Ruko Balayudha
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Palembang
Sumatera Selatan 30128
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GROUP NETWORK

Denpasar

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Fax: +62361 239 983
Email: geldps@greasternlife.com

Makassar

Ruko Metro Square No. F 11
Jl. Veteran Utara
Makassar 90153
Tel: +62411 361 9658 / 362 7929
/ 362 8082
Fax: +62411 319 836
Email: gelmks@greasternlife.com

Papua

Jl. Raya Abepura Entrop No. 8
Jayapura, Papua
Tel: +62967 551 732
Fax: +62967 551 732

VIETNAM

Great Eastern Life (Vietnam) Co Ltd

HD Tower, Level 8
25 Bis Nguyen Thi Minh Khai Street
District 1, Ho Chi Minh City
Vietnam
Tel: +848 6288 6338
Fax: +848 6288 6339
Website: greasternlife.com
E-mail: wecare-vn@greasternlife.com

Hanoi Branch

Viet Tower, Level 11
1 Thai Ha Street,
Dong Da District, Hanoi
Vietnam
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Fax: +844 3936 3902

Sales Office

Tan Da Court, Level M
86 Tan Da, District 5
Ho Chi Minh City
Vietnam
Tel: +848 6256 3688
Fax: +848 6256 3689

CHINA

The Great Eastern Life Assurance Company Limited

Beijing Representative Office

No. 26 North Yue Tan Street
Heng Hua International Business Centre
710A
Beijing Xi Cheng District
Beijing 100045
People's Republic of China
Tel: +8610 5856 5501
Fax: +8610 5856 5502

Great Eastern Life Assurance (China) Company Ltd

22nd - 27th Floor, Block B1
Street No. 92, Xinguang Avenue
Beibu New District
Chongqing 401121
People's Republic of China
Tel: +8623 6381 6666
Fax: +8623 6388 5566
Website: www.lifeisgreat.com.cn
E-mail: gelc@lifeisgreat.com.cn

Chongqing Branch

17th Floor, Dushi Square
No. 39 Wusi Road
Yuzhong District
Chongqing 400010
People's Republic of China
Tel: +8623 6805 9999
Fax: +8623 6805 3100

Sichuan Branch

22nd Flr, Building C of Fortune Centre
No. 6 Daye Road
Jinjiang District, Chengdu
Sichuan 610000
People's Republic of China
Tel: +8628 6559 7666
Fax: +8628 6557 0060

Shaanxi Branch

7th Floor, Jin Ding Building,
No. 116, Heping Road
Beilin District, Xi'an
Shaanxi 710001
People's Republic of China
Tel: +8629 6893 1888
Fax: +8629 6893 1999

Hubei Branch

1st / 8th Floor of Guozi Building
No. 32, Tangjiadun Road
Jiangnan District, Wuhan
Hubei 430024
People's Republic of China
Tel: +8627 5982 9300
Fax: +8627 5982 9399

BRUNEI

Great Eastern Life Assurance Co Ltd

Unit 17/18, Block B
Bangunan Habza
Spg 150, Kpg. Kiarong
Bandar Seri Begawan BE1318
Negara Brunei Darussalam
Tel: +6732 23 3118
Fax: +6732 23 8118
Website: greasternlife.com
E-mail: wecare-bn@greasternlife.com

NOTICE OF ANNUAL GENERAL MEETING

GREAT EASTERN HOLDINGS LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 199903008M)

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of Great Eastern Holdings Limited (the “Company”) will be held at 1 Pickering Street #02-02, Great Eastern Centre, Singapore 048659 on Wednesday, 17 April 2013 at 3.00 pm to transact the following business:

AS ORDINARY BUSINESS

- 1 To receive and adopt the Directors’ Report and the audited Financial Statements for the financial year ended 31 December 2012.
- 2 To approve a final tax exempt (one-tier) dividend of 27 cents per ordinary share and a special tax exempt (one-tier) dividend of 27 cents per ordinary share in respect of the financial year ended 31 December 2012.
- 3(a) To re-appoint pursuant to Section 153(6) of the Companies Act, Chapter 50, the following Directors, to hold office from the date of this Annual General Meeting until the next Annual General Meeting:

- (i) Dr Cheong Choong Kong
- (ii) Mr Tan Yam Pin

Note: Mr Tan Yam Pin will, upon his re-appointment as a Director, remain as Chairman of the Audit Committee and is considered an independent member of the Audit Committee.

Mr Lee Seng Wee will be retiring under Section 153 of the Companies Act, Chapter 50 but will not be offering himself for re-appointment.

- (b) To re-elect the following Directors retiring by rotation under Article 91 of the Company’s Articles of Association and, who being eligible, offer themselves for re-election:

- (i) Mr Norman Ip
- (ii) Mr Lee Chien Shih

Note: Mr Norman Ip will, upon his re-election as a Director, remain as a member of the Audit Committee and is considered an independent member of the Audit Committee.

- (c) To re-elect Mr Law Song Keng retiring under Article 97 of the Company’s Articles of Association and, who being eligible, offers himself for re-election.

Note: Mr Law Song Keng will, upon his re-election as a Director, remain as a member of the Audit Committee and is considered an independent member of the Audit Committee.

- 4 To approve Directors’ fees of \$1,905,000 for the financial year ended 31 December 2012 (2011: \$1,995,000).
- 5 To re-appoint Messrs Ernst & Young LLP as Auditor and authorise the Directors to fix their remuneration.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

- 6 To consider and, if thought fit, to pass the following Resolution as an Ordinary Resolution to empower the Directors to issue shares in the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to the limit specified therein from the date of this Annual General Meeting up to the next Annual General Meeting.

Mandate to issue shares

That authority be and is hereby given to the Directors of the Company to:

- (a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,
- on a **pro rata** basis to shareholders of the Company, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation and adjustments as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST") for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares in the capital of the Company excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this Resolution is passed, after adjusting for:
- (i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
- (ii) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

NOTICE OF ANNUAL GENERAL MEETING

- 7 That authority be and is hereby given to the Directors of the Company to allot and issue from time to time such number of shares as may be required to be allotted and issued pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme.
- 8 To transact any other ordinary business.

By Order of the Board

JENNIFER WONG PAKSHONG

Secretary

Singapore
27 March 2013

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Ordinary Resolution in item 6

The Ordinary Resolution set out in item 6 authorises the Directors of the Company from the date of the forthcoming Annual General Meeting until the next Annual General Meeting to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares on a **pro rata** basis to shareholders of the Company, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% of the total number of issued shares in the capital of the Company excluding treasury shares. For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares in the capital of the Company excluding treasury shares shall be based on the total number of issued shares in the capital of the Company excluding treasury shares at the time this proposed Ordinary Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this proposed Ordinary Resolution is passed, and (b) any subsequent bonus issue, consolidation or subdivision of shares. For the avoidance of doubt, any consolidation or subdivision of shares in the capital of the Company will require shareholders' approval. The Directors will only issue shares under this Resolution if they consider it necessary and in the interests of the Company.

Ordinary Resolution in item 7

The Ordinary Resolution set out in item 7 authorises the Directors of the Company to issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

Note: A member of the Company entitled to attend and vote at the above Meeting may appoint a proxy to attend and vote on his behalf. Such proxy need not be a member of the Company. The instrument appointing a proxy must be deposited at the Company's registered office at 1 Pickering Street #16-01, Great Eastern Centre, Singapore 048659 not less than 48 hours before the time fixed for holding the Meeting.

BOOKS CLOSURE DATE AND PAYMENT DATE FOR DIVIDENDS

Subject to the approval of the shareholders to the final and special tax exempt (one-tier) dividends at the Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 26 April 2013 for the purpose of determining the entitlement of shareholders to the recommended final tax exempt (one-tier) dividend of 27 cents per ordinary share and special tax exempt (one-tier) dividend of 27 cents per ordinary share. Duly completed registrable transfers of shares received by the Company's Share Registrar, M & C Services Pte Ltd at 112 Robinson Road #05-01, Singapore 068902 up to 5.00 pm on 25 April 2013 will be registered to determine shareholders' entitlements to the proposed dividends. Subject to the aforesaid, Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 pm on 25 April 2013 will be entitled to the proposed dividends.

The final and special tax exempt (one-tier) dividends, if approved by shareholders, will be paid on 9 May 2013.

PROXY FORM

GREAT EASTERN HOLDINGS LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 199903008M)

IMPORTANT:

1. For investors who have used their CPF monies to buy Great Eastern Holdings Limited shares, this Annual Report is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____

NRIC/Passport No. _____ of _____

being a member/members of Great Eastern Holdings Limited, hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
and/or (delete as appropriate)			

as my/our proxy/proxies to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at 1 Pickering Street #02-02, Great Eastern Centre, Singapore 048659 on Wednesday, 17 April 2013 at 3.00 pm and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against such item how I/we wish my/our proxy/proxies to vote. If no specific direction as to voting is given, or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain at the discretion of my/our proxy/proxies.

No.	Resolutions	For	Against
	AS ORDINARY BUSINESS		
1	Adoption of Directors' Report and 2012 Audited Financial Statements		
2	Approval of a final tax exempt (one-tier) dividend of 27 cents per ordinary share and a special tax exempt (one-tier) dividend of 27 cents per ordinary share		
3(a)(i)	Re-appointment of Dr Cheong Choong Kong		
3(a)(ii)	Re-appointment of Mr Tan Yam Pin		
3(b)(i)	Re-election of Mr Norman Ip		
3(b)(ii)	Re-election of Mr Lee Chien Shih		
3(c)	Re-election of Mr Law Song Keng		
4	Approval of Directors' fees of \$1,905,000 in respect of financial year 2012		
5	Re-appointment of Messrs Ernst & Young LLP as Auditor and to authorise Directors to fix their remuneration		
	AS SPECIAL BUSINESS		
6	Authority for Directors to allot and issue shares		
7	Authority for Directors to allot and issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme		

Dated this _____ day of _____ 2013

Signature(s) of Member(s) or Common Seal

Total Number of Shares held

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IMPORTANT: PLEASE READ NOTES OVERLEAF.

NOTES TO PROXY FORM:

1. (a) A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.

(b) Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person.
2. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 1 Pickering Street #16-01, Great Eastern Centre, Singapore 048659, not less than 48 hours before the time fixed for holding the Annual General Meeting.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter of power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Companies Act, Chapter 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



GREAT EASTERN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Reg. No. 199903008M)

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