

GREAT
STARTS SMALL



GREAT EASTERN HOLDINGS LIMITED
ANNUAL REPORT 2014

Great Starts Small. As a LIFE company, Great Eastern values how a little can go a long way. We believe that every purposeful action undertaken today, no matter how small, will lead to a greater and better tomorrow.

The spherical icon and the dynamic rays represent the world of Great Eastern... a world which is constantly evolving and continually expanding in diverse and vibrant ways to empower the lives around us.

Be it helping our customers achieve their financial and wellness goals, developing our people to help them realise their fullest potential or simply lending a helping hand to the needy in the community, Great Eastern remains committed to achieving excellence and to making a meaningful difference.



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 FY2014

**S\$879
MILLION**

PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

**S\$591
MILLION**

OPERATING PROFIT
AFTER TAX

**S\$8,210
MILLION**

GROSS PREMIUMS

**S\$394
MILLION**

ECONOMIC VALUE
OF ONE YEAR'S
NEW BUSINESS

**S\$65,677
MILLION**

TOTAL ASSETS

**S\$5,872
MILLION**

SHAREHOLDERS'
FUND

**S\$10,436
MILLION**

EMBEDDED VALUE

**55¹
CENTS**

DISTRIBUTION
PER SHARE

**S\$11,355²
MILLION**

MARKET
CAPITALISATION

¹ This includes the interim tax exempt (one-tier) dividend of 10 cents per ordinary share and a final tax exempt (one-tier) dividend of 40 cents per ordinary share and a special tax exempt (one-tier) dividend of 5 cents per ordinary share.

² This is calculated using Shares Outstanding of 473,319,069 shares and last traded price in FY2014 of S\$23.99 [31 December 2014].



INTEGRITY



INITIATIVE

Firmly guided by its core values of Integrity, Initiative and Involvement, Great Eastern will continue to blaze new trails of excellence as it strives to deliver a compelling and differentiated customer proposition and to be the most trusted insurance company in the region.





GREAT
STARTS SMALL

As a LIFE company, we are committed to helping our customers achieve their financial and wellness goals in the best way possible.

From providing innovative solutions to encouraging and rewarding them to Live Great, healthier and better, we have made it our purpose to help our customers go beyond their limitations to achieve greater milestones in life.



GREAT IS KNOWING
YOUR LIMITS YET **SURPASSING**
YOUR BOUNDARIES



GREAT IS SEEING THE
POTENTIAL IN THE SMALL
AND **MAKING IT BIG**



We value our employees and distribution representatives as our greatest assets. We value talent, and aspire to bring out the best in our people. Our strong corporate culture is underpinned by our cohesive team spirit, open communication and trust, and a steadfast commitment to excellence. We believe in nurturing an invigorating and engaging environment to bring forth the best in our people and help them realise their fullest potential.



GREAT
STARTS SMALL

We believe that the creation of a better tomorrow starts with a positive change today. That is why we champion the little efforts that enrich life in meaningful ways. A small act has the potential to leave a great impact – whether it is lending a helping hand to those in need or going the extra mile for a community cause. Every action made in the present will go a long way to inspire a brighter future.



GREAT IS **ENVISIONING**
A BRIGHTER FUTURE
BUT CREATING IT IN THE PRESENT

LETTER TO SHAREHOLDERS



KOH BENG SENG
Chairman

NORMAN IP
Director and
Acting Group Chief Executive Officer

“A key strategy and priority across our markets was to better understand our customers and deepen our relationships with them to build brand affinity and drive business growth.”



Dear Fellow Shareholders

The Group achieved a strong set of results in 2014, placing the Group in a sound position to meet challenges ahead. Our business philosophy continues to be firmly anchored on our core values of Integrity, Initiative and Involvement. These values differentiate Great Eastern as a company and underpin our everyday work culture.

During the year, we remained focused on the disciplined execution of our strategies, which were: to grow our business and tap new opportunities; to continue to offer a differentiated value proposition to our customers; to deliver professional advice from our distribution force; to leverage Group synergies; and to embrace regulatory changes, prudently manage risks and maximise operational efficiencies. By successfully executing our strategies, we aim to achieve our goal of creating sustainable long-term value for our stakeholders.

Across our markets, we intensified customer engagement initiatives as we strove to build greater customer loyalty. We enhanced our professional advisory capabilities and continued to provide value and choice to our customers through an expanded suite of products and services.

In markets where we are present, we leveraged the strength of our multichannel distribution platform and harnessed our synergistic relationship with OCBC Bank to deepen and broaden market penetration. New partnerships were also forged to boost our Takaful presence in Malaysia.

We remain fully committed to upholding the highest standards of corporate governance and risk management controls, which we recognise as fundamental to maintaining customer and investor confidence in our organisation. Towards this end, we invested significantly in enhancing our systems, processes and people, to further strengthen our risk management and compliance capabilities. This has also boosted operational efficiency.

In recognition of our strong financial position, capital and risk management practices, Standard & Poor's has, for the fifth consecutive year, accorded us an 'AA-' credit rating, one of the highest ratings for a life insurer in the Asia-Pacific.

Priority was also placed on developing our people – both employees and distribution force – by providing continuous training programmes and opportunities for their professional

growth and career aspirations with the company. We recognise that they are our most valuable asset and are essential to our continued success.

DELIVERING CONTINUED GROWTH

In 2014, net profit attributable to shareholders increased 30% to S\$878.6 million from S\$674.8 million in 2013, largely attributed to unrealised mark-to-market gains from favourable financial markets and growth in operating profit from the insurance business.

Operating profit from the insurance business was S\$590.7 million, a 6% increase compared with S\$559.6 million the previous year, driven mainly by a growing in-force business, particularly from the Investment-linked business in Malaysia.

Total weighted new sales of S\$950.3 million for the year were lower than in 2013, when a high volume of Participating policies matured and were recaptured. 2014 sales were also affected by lower sales from the bancassurance channel in the middle of the year, though a strong recovery was seen towards the end of 2014.



New business embedded value, a measure of long-term economic profitability, was S\$394.3 million for 2014. This compared with S\$420.0 million in the previous year and was in line with the lower sales.

Our business in Indonesia and Takaful showed good growth in 2014, but competition is stiff and challenges remain.

The Group continued to be well-capitalised. 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% respectively, reflecting the strong capital position of the Group.

LETTER TO SHAREHOLDERS

Great Eastern is committed to enhancing shareholder value. To this end, the Directors have recommended the payment of a final tax exempt (one-tier) dividend of 40 cents plus a special tax exempt (one-tier) dividend of 5 cents per ordinary share. Upon shareholders' approval, the final and special dividends will be payable on 7 May 2015. Including the interim tax exempt (one-tier) dividend of 10 cents paid in September 2014, total dividends for the financial year 2014 would amount to 55 cents per ordinary share.

SERVING OUR CUSTOMERS BETTER

A key strategy and priority across our markets was to better understand our customers and deepen our relationships with them to build brand affinity and drive business growth. Armed with greater insights from our data analytics capabilities, we were able to offer a wider range of personalised product offerings and value-added solutions to our customers across all lines of our Life, General and Group businesses.

In Singapore, edGE, our next-generation customer relationship management system which provides a holistic 360-degree view of customers across all touch points and channels, will enable us to better manage our large customer base across multiple segments.

Our Live Great programme, with its extensive health and wellness benefits, has gained good traction since its introduction in 2012 and continued to be a key differentiator from our competitors. To date, we have over 800,000 Live Great Card members in the markets that we operate in.

To support our customers in Malaysia in their quest for a healthier lifestyle, we launched the Live Great Space in Kuala Lumpur, the first-of-its-kind interactive health and wellness centre. We are one of the first from the private sector to provide such a facility.

To engage the young and digitally savvy, we launched LiveGreat TV, a branded video channel, the first in the industry. The series of videos featured local YouTube personalities in popular scenarios and garnered close to two million views and 27,000 subscribers over a 12-month period in 2014. Our interactive Live Great Guides remained popular for their comprehensive health and wellness content.

We continued to offer innovative products and superior service to meet our customers' life and health protection needs and long-term wealth creation goals.

In Singapore, we launched *Supreme Education*, a plan which offers pre-determined cash payable at defined educational milestones, specifically at 'Ordinary' and 'Advanced' as well as tertiary levels. Our *Parent Assurance Benefit* rider is the only plan in the market to provide a lump sum payout to cover the child's living expenses should a mishap befall the parent.

We also launched *MaxMaternity Care*, Singapore's first "pure maternity protection plan" in conjunction with OCBC Bank. The policy protects the expectant mother against maternity complications, as well as the newborn against congenital illnesses.

In Malaysia, our *Great Early Living Care* was the first early critical illness insurance plan in the country to guarantee premium rates, while our *SmartProtect Max* allows non-medical limits of up to RM1.2 million for our high net worth customers, one of the highest in the industry.

In Indonesia, we launched *Max Prestige Saver* and *Max Link* through our bancassurance partner, Bank OCBC NISP, while in Vietnam, our all-in-one education endowment plan helps parents achieve their savings goal for their children's education and healthcare expenses.

GROWING OUR TAKAFUL OPERATIONS

In 2014, we scaled up our Takaful operations.

To further penetrate the Islamic insurance market, Great Eastern Takaful Berhad (GETB) signed a distribution agreement with a major Islamic bank in Malaysia, which provided access to the bank's 700,000 customer base. Its Investment-linked Takaful plan, *M-Tiara Hajj*, which provides protection and savings for the customers' pilgrimage needs, was well received by customers.

GETB continued to grow its bancatakaful channel with OCBC Al-Amin and third-party bank partners. At the same time, GETB also strengthened its collaboration with Koperasi Angkatan Tentera Malaysia Berhad (KAT) to provide coverage for more than 140,000 of its members.

The GETB agency management function was restructured for greater synergy and alignment. With this, GETB's 6,000-strong agency force is better placed to penetrate the Takaful market and further boost its market standing.

“In our major markets, we intensified efforts to enhance the core competencies of our distribution force, with a strong focus on providing sound and quality advice to our customers.”

FOSTERING A CULTURE OF PROFESSIONALISM

In our major markets, we intensified efforts to enhance the core competencies of our distribution force, with a strong focus on providing sound and quality advice to our customers.

In Malaysia, the official opening of our state-of-the-art Centre for Excellence in Kuala Lumpur – a key component of our RM20.0 million (S\$7.6 million) Agency Transformation Plan – signalled our commitment to greater professionalism and customer service excellence. We also collaborated with one of the leading private universities in Malaysia to design a best-in-class curriculum for the training of our distribution force.

With the introduction of a new learning management system in early 2015, our distribution force in Singapore and Malaysia will be able to register online for training courses and learn on-the-go, around the clock, via web and mobile devices. The system also provides a convenient platform for e-learning and interactive real-time discussions, all designed for increasing professionalism and broadening skills.

In Singapore, we rolled out iDream and SynerGE, our next generation of financial planning toolkit and point-of-sales system. With these interactive systems, our distribution force is now better equipped to serve our customers.

LEVERAGING GROUP SYNERGIES

We tapped synergies between Great Eastern and the OCBC Group to reach out to new market segments in the region.

To serve the fast-growing mass affluent market in Singapore, we also launched Premier Client Group, which leverages the best of Great Eastern Financial Advisers and OCBC Premier Banking. Customers can now enjoy an integrated wealth management solution for their financial, protection, investment and business needs, delivered by professional financial consultants, industry specialists and relationship managers.

On the bancassurance front, we succeeded in growing our AssureBanking business, as we worked in tandem with OCBC Bank to successfully harness cross-selling opportunities. Good inroads were made in streamlining processes to enhance our straight-through platform to deliver a more consistent and seamless customer experience.

In Indonesia, we continued to work closely with Bank OCBC NISP to offer estate planning solutions for the bank’s premier affluent customers.

EMBRACING REGULATORY CHANGES

Increasingly, insurers in the region are faced with multiple new regulations, which will require significant capital and resources. We welcome these regulations as they will have a positive impact on the soundness and professionalism of the industry in the long term.

These regulations focus on the following key areas:

- Competency and professionalism of financial advisory representatives – Monetary Authority of Singapore (“MAS”)’s Financial Advisory Industry Review (“FAIR”) and Bank Negara Malaysia (“BNM”)’s Life Insurance & Family Takaful (“LIFE”) Framework;
- Customer data protection – Personal Data Protection Act (“PDPA”) and MAS Technology Risk Management (“TRM”) Notice & Guidelines;
- Minimum regulatory capital requirement – MAS Risk Based Capital 2.

We are confident that the various initiatives we have embarked on will enhance the competency and professionalism of our financial advisory representatives, safeguard customer data and build resiliency in disaster recovery, and optimise our balance sheet under the new regulatory capital regime. This will place us in a good position to meet the requirements of various new regulations.

LETTER TO SHAREHOLDERS

“We are committed to being an employer of choice and to providing an engaging and nurturing environment for our employees to perform to their fullest potential.”

HUMAN CAPITAL

We are committed to being an employer of choice and to providing an engaging and nurturing environment for our employees to perform to their fullest potential.

In 2014, our Group remained in the “Best Employer” range in surveys done by Aon Hewitt, an established global consultancy firm.

We recognise the importance of attracting and retaining the right talent. Under our Group Talent Management Programme, we proactively identify and develop talent and offer competitive compensation and rewards.

As a member of the OCBC Group, our employees have opportunities to learn and be exposed to the larger financial services arena. Identified talents were given the opportunity of job rotations across different levels, functions, businesses and geographies.

Following the successful launch of our LIFE Programme in our major markets, we rolled out the programme in Indonesia. Our LIFE Programme is the first-of-its-kind integrated employee health incentive benefits programme in the industry.

Our series of Making Life Great (MLG) Workshops, which involved employees across our operations, continued to provide a good platform for open communication and team bonding to foster a strong corporate culture.

CONNECTING WITH THE COMMUNITY

Even as we grow our business, we firmly believe in connecting with the communities we serve and operate in. We recognise our responsibility to contribute to those in society who need help.

During the year, across the Group, our Corporate Social Responsibility efforts centred on our Live Great philosophy,

where we championed healthy living and wellness as well as empowerment through education.

Our employees and distribution force gave their time and talent to support many worthy causes. These included activities which benefitted underprivileged children and the elderly under our ChildrenCare and GoldenCare programmes, respectively.

Our strategic partnership with the Singapore Sports Hub, as part of the OCBC Group’s larger collaboration with the Hub, helps to fund activities at the iconic facility to foster greater social cohesion and community engagement. This further reinforced our LIFE company purpose to actively help the community in their Live Great journey through sports.

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

ACCOLADES

Across the Group, we garnered accolades and recognition during the year. Our brand ranking improved two positions to eighth out of 100 top Singapore brands. Brand Finance, the world’s leading independent brand valuation consultancy, valued the Great Eastern brand at US\$1.608 billion compared with US\$1.419 billion the previous year.

We were honoured to receive from President Tony Tan Keng Yam, Patron-in-Chief of the Community Chest, the prestigious Pinnacle Award for our significant contributions to ComChest over a 20-year period, which benefitted over 150,000 of its beneficiaries.

Other notable accolades included three awards for our Great Eastern Women’s Run in Singapore and the Outstanding Business Awards: 100 Years of Excellence (Insurance Category) by the Malaysia Book of Records. In Indonesia, we were recognised for our innovative Live Great programme.

LOOKING AHEAD TO 2015

Looking ahead, we expect our growth momentum to continue as the fundamentals underpinning the demand for insurance in the markets we operate in remain strong.

Increased public awareness on the importance of insurance, rising per capita incomes, ageing populations, the fast-emerging middle class, coupled with a low level of insurance penetration and rising health care costs present significant business opportunities for us.

With the combination of our brand strength and dedicated advisory force, accompanied by our sound financials and robust balance sheet, we are well placed to seize these opportunities to continue to grow and deliver value as we strive to meet our customers' evolving needs.

On the investment front, interest rates have generally been rising from historical lows and are expected to increase further. With higher yielding assets to match our liabilities, we will have greater flexibility to structure more attractive products for our customers. However, increased uncertainty in global financial markets may create greater volatility in the mark-to-market valuations and hence, our profits.

The Group will continue to invest in human resources, systems and processes to compete more effectively in an increasingly dynamic and challenging operating environment, taking into account the new regulatory landscape and continued uncertainty in global financial markets.

The Board has placed top priority on its search for a new Group Chief Executive Officer. During this period, we have maintained close oversight of the business to ensure that we continue to serve our customers well and that our core business fundamentals remain strong.

ACKNOWLEDGEMENTS


During the year, Mrs Fang Ai Lian stepped down from the Board. The Board would like to record our sincere appreciation to Mrs Fang for her valued contributions during her chairmanship. We would also like to thank Group Chief Executive Officer Chris Wei who left the Group in September 2014. During Mr Wei's tenure, he strengthened the Great Eastern brand and enhanced our customer value proposition.

We extend a warm welcome to Mr Kyle Lee Khai Fatt, who joined the Board on 1 July 2014. Mr Kyle Lee brings with him close to 40 years of audit and business experience and we will benefit from his expertise and guidance. Our thanks go to members of the Board for their wise counsel and strategic business insights which significantly enhanced Board decisions.

We would also like to thank the management team, employees, agency sales force, our bancassurance partner OCBC Bank, Great Eastern Financial Advisers, the union and other stakeholders for their hard work and tireless efforts in ensuring our success and that we remain as one of the region's progressive insurance companies.

In particular, we thank our customers and shareholders for their continued trust, support and confidence.

Together, we will take our brand further and embark on a new level of growth.



KOH BENG SENG
Chairman



NORMAN IP
Director and
Acting Group Chief
Executive Officer

5 March 2015

BOARD OF DIRECTORS



Top row from left: Koh Beng Seng, Norman Ip, Cheong Choong Kong, Law Song Keng
Bottom row from left: Lee Chien Shih, Kyle Lee Khai Fatt, Tan Yam Pin, Samuel N Tsien

KOH BENG SENG
CHAIRMAN

Mr Koh was first appointed to the Board of Great Eastern Holdings Limited (the "Company") on 2 January 2008 as a non-executive Director and was appointed as Chairman of the Company on 1 September 2014. He was last re-elected as the Company's Director on 16 April 2014. Mr Koh was appointed Chairman of the Company's principal insurance subsidiaries, namely, The Great Eastern Life Assurance Company Limited ("Great Eastern Life") and The Overseas Assurance Corporation Limited ("OAC") on 1 September 2014. He 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, Sing-Han International Financial Services Limited, Hon Sui Sen Endowment CLG Limited and United Engineers 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 with the Monetary Authority of Singapore ("MAS") for 24 years until 1998, his last appointment being Deputy Managing Director, Banking and Financial Institution Group. He also served as a member of the advisory team to the International Monetary Fund on reforms to 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. Age 64.

NORMAN IP
ACTING GROUP CHIEF
EXECUTIVE OFFICER

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 17 April 2013. He was appointed the Acting Group Chief Executive Officer on 1 July 2014. He is a Director of its subsidiaries, including Great Eastern Life, OAC, Great Eastern Life Assurance (Malaysia) Bhd, Overseas Assurance Corporation (Malaysia) Bhd and Great Eastern Takaful Bhd. He serves as an Independent Non-Executive Director of United Engineers Limited and AIMS AMP Capital Industrial REIT Management Limited. He is also a Board Member of the Building and Construction Authority.

He was previously Chairman of Malaysia Smelting Corporation Berhad (until 1 July 2014), a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange (until 22 June 2011) and UE E&C Ltd (until 29 January 2015). Mr Ip is a Chartered Accountant by training and has over 32 years of experience in auditing, accounting, treasury, investments and taxation. From 2000 to 2009, he held the position of the President and Group Chief Executive Officer of The Straits Trading Company Limited ("STC"), the main activities of which are in real estate, mining and hospitality. Prior to joining STC in 1983, he was with Ernst & Whinney (now known as Ernst & Young LLP).

Mr Ip holds a Bachelor of Science (Economics) from the London School of Economics and Political Science. He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. Age 62.

BOARD OF DIRECTORS

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 16 April 2014. He was a Director of OAC until 1 January 2014 and Great Eastern Life until 15 April 2008. He was Chairman of OCBC Bank until 31 August 2014 and continues to serve as a Director. Dr Cheong is the Patron of the Movement for the Intellectually Disabled of Singapore, a Board Director of OCBC Management Services Pte Ltd and OCBC Wing Hang Bank 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) and (Honorary) Doctor of the University 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. Age 73.

LAW SONG KENG

Mr Law was first appointed to the Board of the Company on 1 January 2013 and was last re-elected as the Company's Director on 17 April 2013. He is Chairman of Asia Capital Reinsurance Group Pte Ltd, Frasers Hospitality Asset Management Pte Ltd, Frasers Hospitality Trust Management Pte Ltd and also a Director of IFS Capital Limited, ECICS Limited, ACR Capital Holdings Pte Ltd and Concord Insurance Company 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), 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 the Society of Actuaries, USA, and was awarded the Public Service Star (BBM) in 2001. Age 70.

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 17 April 2013. He was a Director of OAC until 1 January 2014 and 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.

Mr Lee holds a MBBS from the National University of Singapore. Age 55.

KYLE LEE KHAI FATT

Mr Lee was first appointed to the Board of the Company on 1 July 2014. He is a Director of Great Eastern Life. He is the Chairman of MFS Technology Ltd and a Director of CapitaMall Trust Management Limited, FEO Hospitality Asset Management Pte. Ltd., FEO Hospitality Trust Management Pte. Ltd. and Jurong International Holdings Pte Ltd. He also serves as a member of the Audit Committee of National Art Gallery and was a Director of WBL Corporation Limited until 1 March 2014.

Mr Lee has close to 40 years of experience in audit and business advisory services, having worked in both the United Kingdom and Singapore. He was a partner of PricewaterhouseCoopers LLP and Price Waterhouse in Singapore.

Mr Lee holds a Master of Business Administration from the University of London, Imperial College of Science, Technology and Medicine, a Master of Science (Distinction) in International Management from the University of London, The School of Oriental and African Studies, and a Bachelor of Arts (Honours) in Business Studies from the Council of National Academic Awards, Polytechnic of the South Bank London. He is a Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. Age 62.

TAN YAM PIN

Mr Tan was first appointed to the Board of the Company on 7 January 2005 and was last re-appointed as the Company's Director on 16 April 2014. He was a Director of Great Eastern Life and OAC until 1 January 2014. Mr Tan is also a Director of Singapore Post Limited, Keppel Land Limited and an Advisory Board Member of Leighton Asia Limited (Hong Kong). He has been a Member of the Singapore Public Service Commission since 1990. He was previously a Director of Blue Scope Steel Limited (Australia) (until 4 November 2013).

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. Age 74.

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 a Director of OAC until 1 January 2014.

Mr Tsien is the Chief Executive Officer of OCBC Bank. He is the Chairman of OCBC Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. He is a Director of OCBC Bank, OCBC Wing Hang Bank Ltd, OCBC Bank (Malaysia) Bhd, OCBC Al-Amin Bank Bhd, Bank of Singapore and Mapletree Investment Pte Ltd. He is also Chairman of the Association of Banks in Singapore since June 2013 and a council member of the Singapore Business Federation. He serves as a Member of the Malaysia-Singapore Business Council, the Advisory Committee of the MAS Financial Sector Development Fund and the Council of Institute of Banking & Finance.

Prior to joining OCBC Bank, Mr Tsien was the President and Chief Executive Officer of China Construction Bank (Asia), and prior to that President and Chief Executive Officer of Bank of America (Asia) from 1995 to 2006.

Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles (UCLA). Age 60.

KEY EXECUTIVES



Standing from left: James Lee, Yoon Mun Thim, Ho Ming Heng, Ng Yoh Thai
Seated from left: Ronnie Tan, Tony Cheong, Andrew Lee



Standing from left: Dato Koh Yaw Hui, Loo Boon Teik, Chin Wee Cheak
Seated from left: Jennifer Wong Pakshong, Norman Ip, Dr Khoo Kah Siang

KEY EXECUTIVES

NORMAN IP

DIRECTOR AND ACTING GROUP CHIEF EXECUTIVE OFFICER

(Mr Ip's profile can be found on page 17 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 and Faculty 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 as well as for the performance of the company's emerging markets.

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

KHOO KAH SIANG (DR)

CHIEF EXECUTIVE OFFICER (SINGAPORE)

With Great Eastern since 2006. Responsible for managing 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 and Faculty of Actuaries, UK.

DATO KOH YAW HUI

CHIEF EXECUTIVE OFFICER (MALAYSIA)

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 all 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

With Great Eastern since 2008. Responsible for the Group's operations in the insurance value chain, formulation and implementation of operations policy and strategy, and in particular the synergy and alignment of insurance processes across the Group. Also responsible for leading the Business Transformation Office with primary objective of driving process transformation through Lean Six Sigma methodology, and improving business processes.

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**GROUP CHIEF RISK OFFICER**

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 and Faculty of Actuaries, UK.

NG YOH THAI**MANAGING DIRECTOR, GROUP
INFORMATION TECHNOLOGY**

With Great Eastern since December 2013 and OCBC Bank since 2003. Responsible at the Group level for all areas within IT – from IT strategy formulation to delivery of optimal technology services to the Group.

Qualifications: BSc (Hons) in Computer Science and Master of Science in Computer Science, University of Manitoba, Canada.

JAMES LEE**MANAGING DIRECTOR (ACTING),
GROUP HUMAN CAPITAL**

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

Qualifications: BBA in Finance, University of Hawaii, USA; Master of Business Administration in Finance, Hawaii Pacific University, USA.

FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER

		2014	2013	2012	2011	2010
GROUP STATISTICS						
Gross Premiums	(S\$millions)	8,209.8	7,977.5	6,614.5	6,430.7	6,155.8
Profit Attributable to Shareholders	(S\$millions)	878.6	674.8	1,189.1 ¹	385.7	507.2
Operating Profit after Tax ²	(S\$millions)	590.7	559.6	501.5	–	–
Total Assets	(S\$millions)	65,677.4	60,936.6	59,701.0	55,602.6	53,373.0
Shareholders' Fund	(S\$millions)	5,871.8	5,076.9	4,797.0	3,912.3	4,024.0
Stock Exchange Prices ³	(S\$)	23.99	17.82	15.66	12.60	15.62
Market Capitalisation ³	(S\$millions)	11,354.9	8,434.5	7,412.2	5,963.8	7,393.2
Embedded Value	(S\$millions)	10,435.5	9,213.7	8,604.8	7,465.3	7,074.9
Economic Value of One Year's New Business		394.3	422.7 ⁴	352.7	364.8	304.9
GROUP FINANCIAL RATIOS						
Return on Equity ⁵		16.0%	13.7%	27.3%	9.7%	13.4%
Gross Premium Growth		2.9%	20.6%	2.9%	4.5%	5.5%
Basic Earnings per share ⁶	(S\$)	1.86	1.43	2.51	0.81	1.07
Diluted Earnings per share	(S\$)	1.86	1.43	2.51	0.81	1.07
Net Asset Value per share	(S\$)	12.41	10.73	10.13	8.27	8.50
Embedded Value per share	(S\$)	22.047	19.466	18.180	15.772	14.947
Economic Value of One Year's New Business per share	(S\$)	0.833	0.893	0.745	0.771	0.644
Gross Dividend per share paid during the year	(cents)	55.0	64.0	37.0	10.0	45.0

¹ FY12 profit attributable to shareholders includes a one-off disposal gain of S\$421.6 million from the sale of the Group's shareholdings in Asia Pacific Breweries Limited and Fraser and Neave, Limited.

² Operating Profit after Tax is defined as premiums less claims, surrenders, commissions, expenses and changes in reserves, plus net investment income (dividends, coupons etc). Disclosure of Operating Profit after Tax began in 2013.

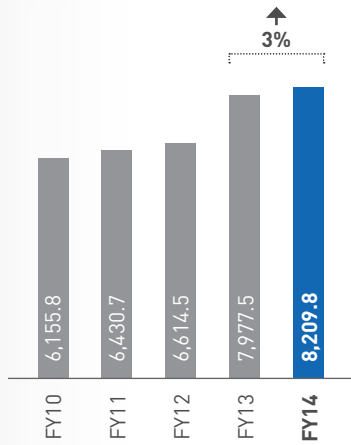
³ The Stock Exchange Prices and Market Capitalisation were obtained from Bloomberg.

⁴ If translated using exchange rates at 31 December 2014, FY13 economic value of one year's new business would have been S\$420.0 million.

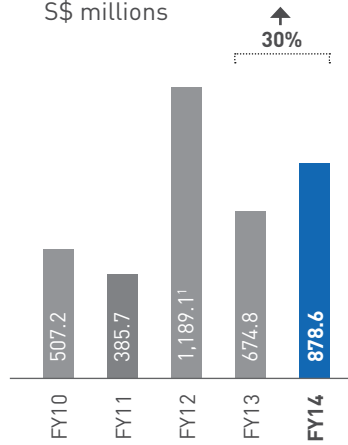
⁵ The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund has been used in the computation of Return on Equity.

⁶ The Basic Earnings per share were based on the Group's Profit Attributable to Shareholders divided by total paid-up shares.

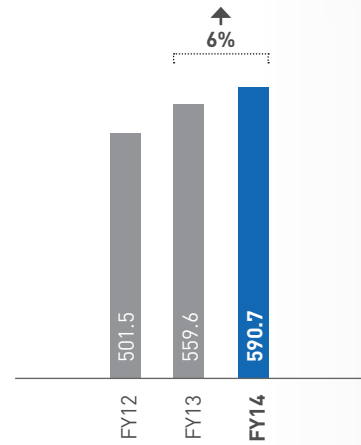
Gross Premiums
S\$ millions



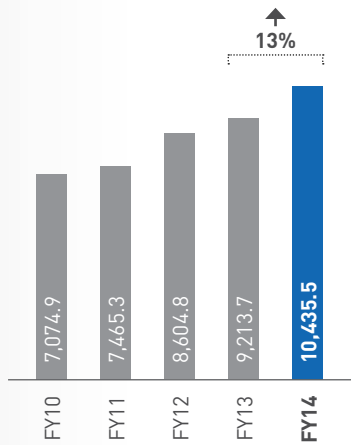
Profit Attributable to Shareholders
S\$ millions



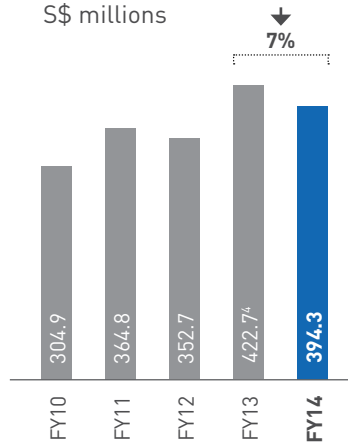
Operating Profit after Tax²
S\$ millions



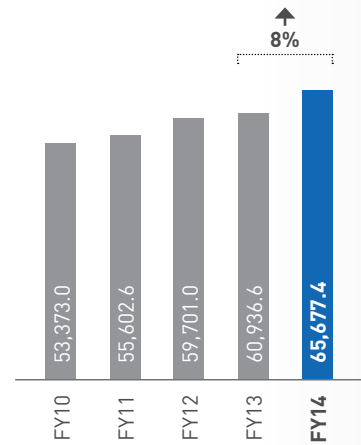
Embedded Value
S\$ millions



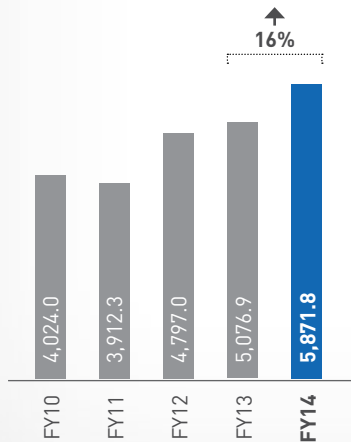
Economic Value of One Year's New Business
S\$ millions



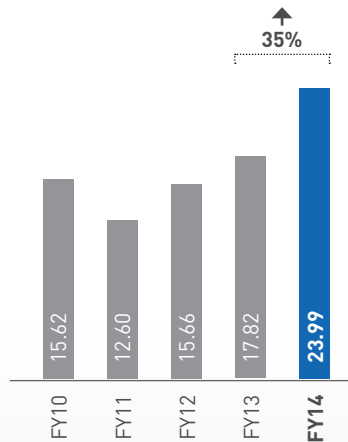
Total Assets
S\$ millions



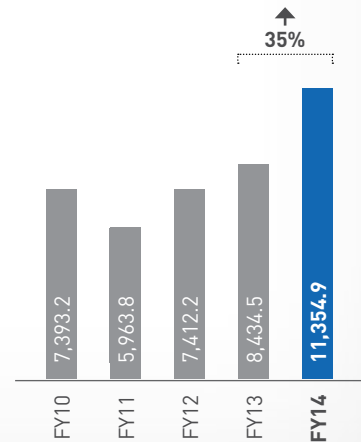
Shareholders' Fund
S\$ millions



Stock Exchange Prices³
S\$



Market Capitalisation³
S\$ millions



EMBEDDED VALUE

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 2014. 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 as set out in 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 2014.

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 5.25%, 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 7.5% for Singapore and 9.0% 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 2014 are as follows:

Embedded Value (\$ millions)	Singapore	Malaysia	Total
Life Business			
Value of In-Force Business	3,214	2,033	5,247
Shareholders' Funds and Non-Life Business			
Adjusted Shareholders' Funds	4,730*	459^	5,189
Total Embedded Value	7,944	2,492	10,436

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

^ Includes Great Eastern Takaful Berhad (GETB).

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 2014 has been calculated as follows:

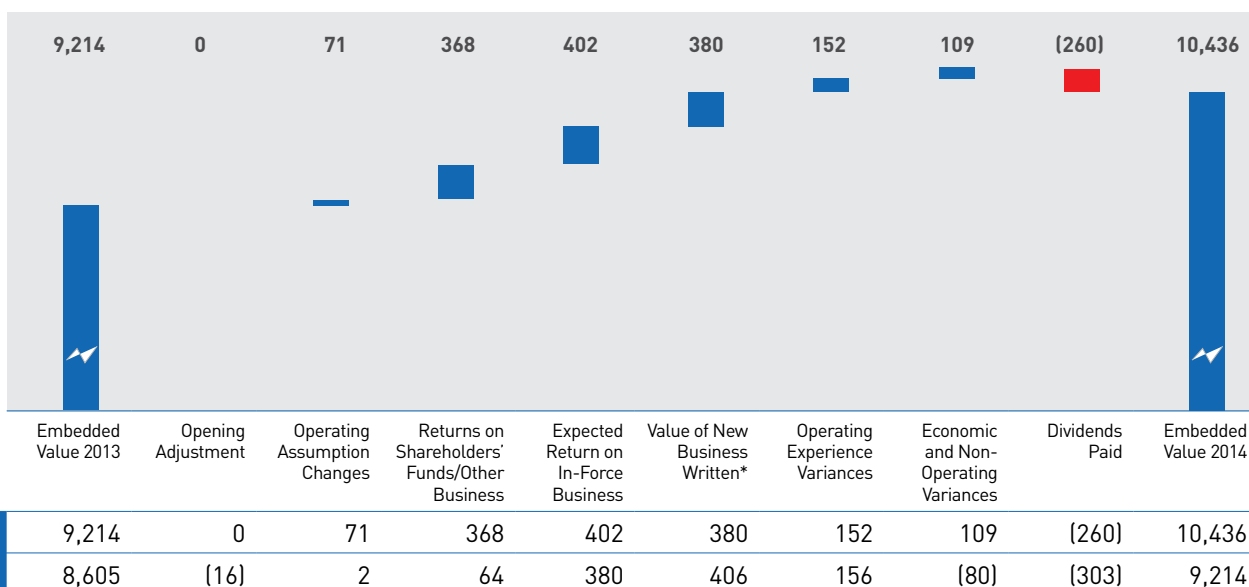
Values (S\$ millions)	Singapore	Malaysia*	Other Asia** and GETB	Total
Economic Value of One Year's New Business	238	142	14	394

* Excludes GETB.

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

ANALYSIS OF CHANGE IN EMBEDDED VALUE (S\$ 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 2013 analysis results.



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

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. EY 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 investment return assumptions and risk-adjusted discount rates. The results are summarised below:

Values (S\$ millions)	Base Scenario	Investment +0.50%	Investment -0.50%	Discount Rate +1%	Discount Rate -1%
Total Embedded Value	10,436	10,844	10,051	9,944	11,021
Economic Value of One Year's New Business	394	414	375	357	439

BUSINESS REVIEW

SINGAPORE



1. Ms Grace Fu, Minister in Prime Minister's Office, joined Great Eastern Director and Acting Group CEO Norman Ip and Dr Khoo Kah Siang, CEO (Singapore), to pen SG50 wishes for Singapore.
2. A record 15,500 women participated in the 2014 Great Eastern Women's Run.
3. Inking a milestone agreement to mark Great Eastern's partnership as the founding partner and official insurer of the iconic Singapore Sports Hub.
4. Championing a healthier lifestyle and active ageing through exercise.
5. The OCBC Great Eastern Cashflo Card is Singapore's first health and wellness credit card.

Our Singapore operations, comprising Great Eastern Life Assurance Co Ltd (GELS) and Overseas Assurance Corporation Ltd (OAC), continued to deliver stable performance.

Collectively, these businesses registered S\$576.0 million in total weighted new business premiums (TWP). This was a 15% year-on-year decline as sales in 2013 were boosted by high volumes of maturities from policies sold during the Group centennial celebrations and subsequent strong take up of new products by these customers. New business embedded value for the year declined by 11% to S\$238.2 million mainly as a result of lower sales.

Our General Insurance business grew by 3% to S\$103.8 million in gross written premium while on the bancassurance front, we maintained our pole position for a record 14th year.

As a LIFE company, we continued to offer our customers unique value propositions, innovative products, service excellence and a differentiated customer experience.

Our multi-pronged strategy for the year was firmly focused on putting the customer at the centre of what we do, embracing change and technology and exploiting new opportunities.

Central to our customer-centricity was our continued efforts to deepen and widen our relationship with our customers. To further drive customer engagement and build customer loyalty, we continued to harness our Live Great programme to roll out initiatives to encourage customers to live healthier and better.

On the product front, we strengthened our core insurance protection suite of products and shifted the mix towards more protection focused and regular premium Investment-linked products. We ramped up initiatives to enhance our service level as we strive to deliver consistent and seamless customer experience across all lines of business and all touch points.

In an increasingly tightening regulatory landscape, our strategy focused on enhancing the core competencies of our distribution force to equip and enable them to provide professional and quality advice to customers.

New regulations such as the Personal Data Protection Act and the Do Not Call Registry came into effect in 2014. We welcome regulations and measures which serve to build greater public confidence as these can only augur well for our business. We set up a dedicated Data Protection and Governance Office (DPGO) to ensure that proper governance and controls are in place for full compliance.

ENRICHING CUSTOMER RELATIONSHIPS

During the year, we launched the first phase of edGE, our customer relationship management system which provides a holistic 360-degree view of customers across all touch points and channels. This is key to our long term business growth. With this system, we are able to bring all customer data in a single location, align our processes and integrate our different lines of business and functional areas to serve our customers more effectively and efficiently. Our distribution force will benefit from the deeper customer insights which will enable them to provide a differentiated and superior customer service.

During the year, we added new dimensions to our Live Great programme offerings, chief of which was our new milestone partnership with the iconic Singapore Sports Hub. With this partnership, we have brought sports closer to the community.

Together with OCBC Bank, we launched the OCBC Great Eastern Cashflo Card, Singapore's first health and wellness credit card. Customers will have the best of both worlds and be able to better manage their health and finances more seamlessly and stretch their dollar further with attractive interest-free instalments.

It is the first card in the market to offer customers the combined convenience of interest-free instalment payments for health and wellness products and services as well as paying premiums for selected Great Eastern Life and OAC insurance plans. Customers can also enjoy exclusive health and wellness privileges and discounts from Great Eastern's Live Great merchants. With this, we are bringing our Live Great programme to the next level, to help customers Live Great with one card.

To further strengthen our relationship with our women customers, a key segment for us, we introduced another facet to the Great Eastern Women's Run. The #RuntoLiveGreat programme was successful in attracting first-time runners to take the first step to better health. Complimentary starter runner's kits were given to participants to help them start their journey to better health.

To further engage our customers, we leveraged Singapore's 50th Birthday SG50 celebrations to launch two major initiatives to reinforce our position as a homegrown brand with a rich 106-year history.

Great Eastern was the first corporate sponsor for the Wishing Spheres, a highlight of the year-end Marina Bay Singapore Countdown, the curtain-raiser for Singapore's SG50 celebrations. Wishing stations were set up across the island and the public were invited to pen their well wishes for Singapore on 25,000 red and white spheres.

BUSINESS REVIEW



1. With iDream, customers can map out their life goals through a highly-interactive tablet computing interface.
2. "Stretching" their limits and putting their best foot forward.
3. Parents with young children remain a key customer segment.

In tandem, to engage the public further, we organised a Great Eastern SG50 Wishes campaign where we will fulfill 50 of the most meaningful wishes. Our Great Eastern SG50 Jubilee Baby Gift, comprising complimentary one-year health insurance for babies born in 2015 as well as a customised gift pack, was a fitting complement to the government's Jubilee Baby Gift and attracted good response.

MEETING CUSTOMER NEEDS WITH INNOVATIVE PRODUCT SOLUTIONS

We have one of the widest ranges of insurance solutions to cater to varying needs and budgets. In 2014, we further enhanced our product suite with differentiated solutions to meet our customers' evolving needs.

Supreme Education is a specially designed education funding plan which offers liquidity with pre-determined cash payable at defined education milestone ages. It not only provides high guaranteed payouts at milestone years of the child's education journey but is the only plan in the market to give a lump sum payout under the *Parent Assurance Benefit* to cover the child's living expenses should a mishap befall the parent.

Our *FlexiLife* and *Critical Illness Protector Multiplier* is a uniquely designed whole of life plan that comes with one of the highest protection multipliers of up to three times the basic sum assured, offering enhanced protection against death, total and permanent disability, terminal illness and critical illness.

Launched in conjunction with OCBC Bank, *MaxMaternity Care* is Singapore's first "pure maternity protection plan". It is a three-year policy which protects the expectant mother against maternity complications as early as the 13th week of pregnancy and will continue to protect the newborn against congenital illnesses. We also launched *MaxRetirement* to better serve our customers with their retirement planning needs.

REGULATORY DEVELOPMENTS

Recommendations from the Financial Advisory Industry Review (FAIR) including balance score card on financial advisers' remuneration; web aggregator where buyers can compare key product benefits and price; and a direct channel for customers to purchase insurance products, will come into full swing in 2015.

In the face of changing and tightening regulations, what is key is for us to remain nimble. We are in a good position as we had started planting the seeds early.

The government has passed the MediShield Life Scheme Bill into law. MediShield Life provides lifetime coverage for all Singaporeans and permanent residents, regardless of age or pre-existing health conditions. As a major Integrated Shield Plan provider, we are committed to ensuring that our plan remains competitively priced and affordable.

ENHANCING PROFESSIONALISM AND DISTRIBUTION CAPABILITIES

We remain committed to building the most trusted and professional distribution force.

Recognising that our customers' needs are constantly evolving and that the industry is constantly changing, significant investments were made to update their knowledge and expand their skill-sets through best-in-class training and development programmes.

During the year, Great Eastern Financial Advisers (GEFA), our financial advisory arm, launched Premier Client Group (PCG), a strategic collaborative effort between Great Eastern and OCBC Bank. PCG provides comprehensive financial planning and wealth management solutions for the affluent delivered by consultants and a network of specialists, harnessing the strengths and specialties of both organisations.

To further enhance competencies and broaden skills sets, we introduced a new learning management system in early 2015. With the multi-modal learning platform, our distribution force can now access courses and programmes anytime and anywhere via laptops, mobile phones and tablets and also participate in real-time discussions.

We leveraged our synergistic partnership with OCBC Bank to grow our bancassurance and Assurebanking business and successfully harnessed cross-selling and up-selling opportunities to market to a wider customer base. We worked closely with the bank to increase sales force productivity through proactive management and training of our branch relationship managers.

HARNESSING TECHNOLOGY

We harnessed technology to improve efficiency and productivity while providing greater mobility for our distribution representatives to enable them to deliver a superior customer experience. Notable enhancements were made to our financial planning and point-of-sales systems.

iDream allows customers to map out their life goals in a creative and stylish manner through a highly-interactive tablet computing interface.

The enhanced functionalities of SynerGE, a new point-of-sale system, provides customers with a paperless, seamless financial planning experience, from needs analysis to policy purchase. SynerGE serves to improve the speed of product launches and agents' productivity as well as enhance overall operations efficiency. With this, we were able to better manage higher transaction volumes and further drive business growth.

GROWING OUR GENERAL AND GROUP INSURANCE BUSINESS

Our General Insurance business registered stable growth. We registered a good 7% and 4% growth in our Travel and Home insurance business respectively this year.

We continued to strengthen our suite of Personal Line products and invested in our e-commerce infrastructure to improve the efficiency of our distribution channels and provide our customers greater flexibility in product customisation and choices online. For Group Insurance, we rolled out our Live Great Wellness programme to corporate clients. The programme helps our clients keep their employees healthy and increase the scope of their HR benefits.

With the completion of Group Asia, our enhanced IT system, we now have a unified view of our corporate clients and greater insights into their requirements. We are now able to better integrate our multi-sales channels which has in turn boosted overall sales efficiency. The retail module will enable us to sell and administer individual plans within a corporate Group client or an affinity Group.

PROVIDING SEAMLESS AND CONSISTENT CUSTOMER EXPERIENCE

Recognising that positive customer experience is essential for long term customer retention, during the year, we laid the foundation towards achieving an industry-leading service culture with our "One Company, One Voice" philosophy.

Our goal is to deliver consistent quality service across all channels and customer interaction touch points and make it easy for our customers to do business with us. Processes were further enhanced using Lean Six Sigma, which focuses on collaborative team efforts to improve performance through a systematic fact-based and data-driven approach.

We ramped up our training programmes to equip staff with the right competencies, skills and tools. Our customers are now able to provide real-time feedback at key touch points via our GExperience Survey web application, enabling us to address negative customer experiences in a more timely manner. We will be rejuvenating our Customer Service Centre into a more dynamic, vibrant and interactive space, going beyond just meeting the transactional needs of customers and distribution representatives.

BUSINESS REVIEW

MALAYSIA



1. Our state-of-the-art Centre for Excellence at Menara Great Eastern was officially opened by Datuk Hj. Ahmad bin Hj. Maslan, Malaysia's Deputy Minister of Finance.
2. The industry-first Live Great Space is an embodiment of our commitment to help Malaysians live healthier and better.
3. The Great Eastern-Star Health Fair attracted a capacity crowd.
4. GELM, OACM and GETB colleagues coming together as one big happy family.
5. The start of an exciting professional career with Great Eastern.

Our Malaysian operations continued its good growth momentum from the previous year and registered a strong performance to maintain its market leadership position in the conventional business.

Total weighted new business from Great Eastern Life Assurance (Malaysia) Berhad (GELM) and Great Eastern Takaful Berhad (GETB) grew 7% to RM913.5 million (S\$345.5 million) compared with RM856.1 million (S\$323.8 million) in 2013.

The robust performance was driven by continued demand for regular premium Investment-linked products and the continued success of bancassurance partnership with OCBC Bank as well as growth in takaful agency and bancatakaful sales.

Our Malaysia strategy focused on leveraging the strength of the Great Eastern brand and our LIFE company purpose, capitalising on our multi-channel distribution, offering innovative products and enhancing key processes.

REINFORCING OUR LIFE COMPANY PURPOSE

In line with our LIFE company purpose, we launched the Live Great Space at Menara Great Eastern, adding another exciting dimension to our Live Great programme. The official opening was officiated by Dato' Seri Dr Hilmi Yahaya, Deputy Minister of Health, Malaysia. The dedicated venue, with its interactive features, is a further embodiment of our commitment to helping Malaysians live healthier and better. The community, including customers and staff alike, have benefitted from talks and workshops by health and wellness experts held at the Space.

To bring the Great Eastern brand closer to the community and to elevate awareness of our brand, events were organised not only for the mass public but also for our target market segments.

For the third consecutive year, we collaborated with The Star Publication and held one of the largest health fairs in the country. Over 30,000 visitors attended the three-day event while our Live Great Runs in Kuala Lumpur and Johor Bahru attracted over 8,000 participants. Our "Colour Me Up" contest, targeted at engaging the young and their parents, attracted over 51,000 entries from children from 7,000 primary schools across Malaysia.

Recognising the increasing trends of heart ailments and the importance of educating the public on heart health, we partnered the National Heart Association of Malaysia, National Heart Foundation, Women's Heart Health

Organisation and National Heart Institute in The Heart Exhibition. Over 30,000 visitors learned how to "Live Great from the Heart".

INNOVATIVE SUITE OF PRODUCTS

We continued to build on our suite of products to meet our customers' evolving needs.

Our *Great Early Living Care* was the first early critical illness insurance plan in the country to guarantee premium rates while our *SmartProtect Max* allows non-medical limits of up to RM1.2million for our high net worth customers, one of the highest limits in the industry.

With the *Smart Extender* rider, customers can enjoy increased medical protection with annual limit equal to 10 times of the deductible amount and no lifetime limit.

Our *Great Wealth Booster* and *Great Golden Gift*, where customers are not required to undergo medical check-ups nor complete health questionnaires, saw good take up.

PROVIDING THE MOST TRUSTED AND PROFESSIONAL ADVICE

We invested in a RM20.0 million (S\$7.6 million) Agency Transformation Plan to create an edge of differentiation for our agency force and to uplift their professionalism and increase productivity.

A key pillar of the plan is our state-of-the-art Centre for Excellence in Kuala Lumpur which was officially opened in April 2014 by Datuk Hj. Ahmad bin Hj. Maslan, Malaysia's Deputy Minister of Finance. The centre signals our commitment to greater professionalism and customer service excellence. We also collaborated with one of the leading private local universities to design a best-in-class curriculum.

To strengthen core competencies and heighten professionalism, we introduced a new learning management system which enables our distribution force to register online for training courses and learn at their convenience via web and mobile devices. The system also provides an effective platform for e-learning and real-time interactive discussions.

During the year, notwithstanding the challenging life insurance landscape, we registered a 20% growth in the number of Great Eastern Supremacy Summit achievers as we continued to build a more professional and trusted agency force through our new Centre for Excellence and revamped training programmes.

BUSINESS REVIEW



1. Celebrating as 1 Great Eastern Family.
2. GETB signed a distribution agreement with a major Islamic bank in Malaysia which considerably expanded our potential customer base.
3. The Live Great Run in Kuala Lumpur continued to grow in popularity.
4. Team building is key to propelling Great Eastern to greater heights.
5. & 6. Promoting the importance of a healthy lifestyle to the public through regular Live Great events.
7. *Great Early Living Care* is the first early critical illness insurance plan in Malaysia to guarantee premium rates.

GROWING GENERAL INSURANCE

Overseas Assurance Corporation (Malaysia) Berhad (OACM), our General Insurance arm, achieved RM409.1 million (S\$154.7 million) in Gross Written Premiums, with business from our OCBC Bank bancassurance tie-up registering a continued good growth of 18%.

Our venture into the Foreign Workers insurance market also gained good traction, growing to RM7.9 million (S\$3 million), despite the challenging and highly competitive market.

OACM's partnership with Malaysia's top-selling local car manufacturers has strengthened our presence in the new car insurance segment and helped to further diversify our Motor Insurance book. Our Motor Portfolio has also stabilised, recording a strong underwriting profit in 2014.

More Personal Line products, including the *Centennial PA*, *Lady Protector* and *Travel For More* policies, were added to the GI Exchange platform.

Operational efficiency was further enhanced with the streamlining of back-end processes, which enabled us to serve our customers in a more timely and efficient manner. To further improve our service level, we introduced common Agency and Customer Service counters for both Life and General insurance businesses. The results from the pilot trial in Ipoh will facilitate our plan to roll this out across the country.

IMPROVING OPERATIONAL EFFICIENCY

We made good progress in our Six Sigma journey as we worked towards achieving consistent quality improvements and reducing inefficiencies in our business processes.

These ranged from more efficient collection of premiums from new and renewal businesses from customers of our Employee Benefits Schemes to reducing postage costs by better realignment to new mailing guidelines.

GROWING OUR TAKAFUL BUSINESS

We scaled up our Takaful operations in 2014.

GETB signed a distribution agreement with a major Islamic bank in Malaysia which provided access to the bank's 700,000 customer base. *M-Tiara Hajj*, an Investment-linked takaful plan which provides protection and savings for the customers' pilgrimage needs, was launched for the bank's customers and saw good take up.

GETB continued to grow its bancatakaful channel with OCBC Al-Amin and third party bank partners, and at the same time, strengthened its collaboration with Koperasi Angkatan Tentera Malaysia Berhad (KAT) to provide coverage for more than 140,000 of its members.

These successful collaborative efforts enabled us to further penetrate the underinsured and fast-growing target market.

For greater synergy and alignment, we restructured the GETB agency management function such that the 6,000-strong agency force is now centrally managed and better positioned to serve this market and further raised our Takaful market standing.

GETB also ramped up its recruitment initiatives through TBOSS (Takaful Business Sharing Opportunity) and succeeded in adding 1,000 new recruits into its talent pool.

BUSINESS REVIEW

EMERGING MARKETS



- 1. & 2. Driving customer engagement through a synergistic GELI-Bank OCBC NISP partnership.
- 3. Thumbs up for Vui Song (Live Great) in Vietnam.
- 4. GELB celebrated Hari Raya with valued stakeholders.

In our emerging markets of Indonesia, Vietnam and Brunei, we continued our strategy to build a quality and sustainable business.

INDONESIA

Our Indonesian subsidiary, PT Great Eastern Life Indonesia (GELI) continued to leverage the strength of the Great Eastern brand in the region, its strategic bancassurance partnership with Bank OCBC NISP and piloting new agency formats to drive business growth. We also leveraged our Live Great programme to reach out to new customers with our wellness proposition.

We continued to develop our unique bancassurance business with Bank OCBC NISP and leveraged this strategic partnership to better harmonise our propositions for the bank's target customer segments. In addition, we also piloted customised solutions for the bank's Small and Medium Enterprise customers.

As part of our efforts to build a quality and sustainable business, we also launched a new agency format comprising full-time Financial Planning Specialists. This allows us to develop a quality agency force to better serve the evolving needs of our customers and which will further differentiate us in the competitive Indonesian insurance landscape.

To better serve the affluent and emerging affluent customers, we introduced meaningful solutions in response to their varied needs. These included *Max Prestige Saver* to help customers plan for retirement or fund education for their children and *Max Link* for customers keen on life protection with additional benefits such as coverage for total permanent disability and accidental death. We also launched several new investment funds, including *GreatLink Supreme Equity Maxima Fund* which offers greater flexibility and options for customers.

Our Live Great programme continued to be a key differentiator in our brand positioning and value proposition for our customers. We leveraged the programme to enhance customer engagement and build brand visibility. Live Great health talks and wellness activities such as Yoga, complimentary blood tests and posture checks were organised for our group insurance customers in the major cities of Jakarta, Bandung, Medan, Makassar, Surabaya and Semarang, in collaboration with our Live Great partners.

We proactively leveraged social media to extend our reach to the community and now have over 150,000 Facebook fans and 11,000 Twitter followers.

In alignment with our LIFE company purpose where we actively promote health and wellness, we rolled out our LIFE Programme to the staff. A good 68% of the staff registered their participation and were rewarded for staying healthy.

VIETNAM

Our Vietnam subsidiary, Great Eastern Life Vietnam Co Ltd (GELV) continued its emphasis on building a quality and sustainable agency force, adding to its product suite and harnessing the Live Great ("Vui Song") health and wellness propositions to raise our brand visibility and customer engagement.

To enhance the professionalism of our advisory force, training programmes were restructured to boost financial planning skills, focusing on meeting longer-term wealth and protection customer needs.

Our branding and customer engagement efforts centred on our Vui Song proposition. *Vuisong.org*, our health and wellness portal, gained good footing with over 13,000 members while our inaugural Vui Song digital contest attracted over 3,000 submissions. Our network of Vui Song Outdoor Fitness spaces was expanded to nine locations in the prime city-centre parks in Ho Chi Minh City and Hanoi while our monthly Vui Song columns in popular women's health magazines further reinforced our Live Great message.

To tap the fast-growing young parents with newborns segment, we introduced *An Tam Thanh Tai*, a pre-packaged all-in-one education endowment plan. The plan helps parents achieve their saving goals for their children's education and protects against illnesses and rising healthcare costs.

For the fifth consecutive year, GELV garnered the Golden Dragon Award from the Economic Times newspaper and the Ministry of Planning & Investment in Hanoi for significant contributions to the community.

BRUNEI

In Brunei, to strengthen our agency distribution platform, we geared up our recruitment efforts and grew our agency force. To heighten competencies, we introduced mandatory training courses and minimum continuous professional development requirements for all distribution representatives.

During the year, we expanded our suite of products to include *Supreme Retirement* and *FlexiEndowment* in support of the government's initiative to encourage the public to save and plan for the future.

CORPORATE SOCIAL RESPONSIBILITY

Caring for the communities that we serve has always been one of our creeds and even as we deliver our best to our customers, we also seek to give our best to society. We believe that a small act of kindness can make a great difference. By walking our talk with every small deed, we hope to inspire others to go the extra mile for the public good.



1. CEO (Singapore) Dr Khoo Kah Siang received from President Tony Tan Keng Yam, who is also Patron-in-Chief of the Community Chest, the prestigious Pinnacle Award for GELS' significant contributions to ComChest over the years.
2. Over S\$122,000 was raised for The Straits Times School Pocket Money Fund to support needy school children.
3. Program Aspirasi Gemilang 'A' – Fifty deserving children who scored 'A's were given cash rewards by GELM.
4. Some 200 young and elderly beneficiaries from community organisations penned their wishes for Singapore and launched their spheres into Marina Bay.
5. Spreading Lunar New Year cheer to the underprivileged with much-needed daily necessities.

As a LIFE company, our corporate social responsibility efforts continued to centre on our Live Great philosophy where we champion healthy living and wellness as well as empowerment through education.

LIVING GREAT THROUGH SPORTS

In Singapore, we empowered women of all ages and walks of life to lead a healthier lifestyle through our signature annual Great Eastern Women's Run, Asia's largest women-only run. Over 15,000 women participated in the Run which took them on a scenic route around the Marina Bay area and some of Singapore's most iconic landmarks.

To encourage first-time runners to take the first step to better health, we added a new exciting dimension to the Run with the introduction of #RuntoLiveGreat programme. The programme attracted good response. Complimentary runner's starter kits were given to participants to help them embark on their journey to better health. Participants also benefitted from a series of exercise programmes which included K-Pop dance class and training runs.

We extended our long-standing support for the S.League. In partnership with the S.League and the Football Association of Singapore, we continued to promote the benefits of sports to the young. A football clinic was conducted for 100 needy children supported by The Straits Times School Pocket Money Fund in conjunction with the Great Eastern Charity Shield. The children learned the importance of keeping healthy through sports as well as life skills such as teamwork and perseverance.

In Malaysia, over 6,200 runners participated in our Live Great Run in Kuala Lumpur while the Great Eastern JB 10K Run attracted close to 2,000 runners in its second year.

One of the highlights of the Live Great Run was the inaugural Run with a Child Campaign to promote healthy habits in a fun way among underprivileged children. Themed 'Superheroes', 50 underprivileged children from Rumah Kanak-kanak Tengku Budriah, Cheras Kuala Lumpur, dressed in superhero outfits, participated in the 3km Buddy Run together with 50 employee volunteers who acted as chaperones.

In Vietnam, we added four Vui Song (Live Great) outdoor fitness spaces in Ho Chi Minh City and Hanoi to further promote the importance of the need for regular exercise.

HELPING OUR YOUNG AND ELDERLY FRIENDS LIVE GREAT

Across the Group, activities were organised to raise funds for our needy children and elderly beneficiaries.

Our goal being to make a positive impact on the well-being of the underprivileged, employees and distribution representatives helped raise S\$226,000 for our ChildrenCare and GoldenCare programmes in Singapore. The programme benefits children with special needs as well as the needy elderly, with the funds used to support a multitude of projects, including sports and wellness activities for the children and active ageing for the senior citizens.

Stemming from our firm belief that every child deserves a head start in education, we worked with our corporate partners, staff and distribution force to raise over S\$122,000 for The Straits Times School Pocket Money Fund to help children from low-income families through school.

To promote active living to the young and elderly, we leveraged our association with our parent company OCBC Bank and our partnership with the Singapore Sports Hub to co-host a community outing at the Hub. Some 1,700 young and elderly beneficiaries spent a day exploring and experiencing the different sports at the iconic facility.

As Singapore's most established insurance company, we were the first corporate sponsor of 25,000 wishing spheres, the highlight of the year-end Marina Bay Singapore Countdown, the curtain raiser for Singapore's 50th birthday celebration in 2015. We partnered The Esplanade to invite 200 young and elderly beneficiaries from several community organisations to pen their wishes for Singapore and to launch the spheres into the Bay.

In Malaysia, similarly, our employees and distribution representatives gave of their time and effort and raised RM205,305 for our ChildrenCare programme there.

A 'Live Great Discovery' event, anchored on the themes of education, health and wellness as well as personal development, was organised for needy children under the Program Aspirasi Gemilang 'A'.

At the "Education" corner, children learned about the C Programming Language as well as built up their knowledge on various subjects including Science, Technology, Engineering and Mathematics as well as improved their lateral thinking and problem-solving skills.

CORPORATE SOCIAL RESPONSIBILITY



1. ChildrenCare iPledge volunteers brought festive cheer to underprivileged children.
2. Children supported by Program Aspirasi Gemilang 'A' enthusiastically participated in our Let's Score 'A' Workshops during the year.
3. & 4. GELI conducted talks to promote financial literacy among women.
5. GELB raised awareness on the importance of blood donation in saving lives.
6. Vui Song scholarships were awarded to deserving students in Vietnam.

Complimentary eye checks and BMI tests were conducted at the "Health and Wellness" corner while children had the opportunity to express their creativity through Lego building and clay craft-making at the "Personal Development" corner.

We also organised home visits, educational tours as well as leadership camps for underprivileged children. Thirty-three children from Rumah Charis and Rumah Bakti Cahaya Hati were treated to a one-day Science Adventure exploration at Petrosains, KLCC. Our i-Pledge volunteers accompanied underprivileged children from various parts of northern Malaysia for a three-day camp aimed at helping them develop their leadership qualities and communication skills.

EMPOWERMENT THROUGH EDUCATION

In Malaysia, 15 Great Eastern Supremacy Scholarships were presented to deserving students. Since its inception in 1998, scholarships totalling RM9.2 million have been awarded to 132 recipients.

Last year, with the support of the government, we launched the Aspirasi Gemilang 'A' Programme to award needy children who excelled academically in public examinations with cash rewards. This bore good fruit. Fifty children from charitable homes we supported under the Department of Social Welfare Malaysia doubled the number of 'A's they achieved compared with the previous year and for their good effort, they received a total of RM10,800 from Great Eastern. Additionally, to help the children better prepare for their public examinations, we conducted two Let's Score 'A' Workshops during the year.

In Vietnam, we awarded Vui Song scholarships to 25 underprivileged deserving students to study at the Foreign Trade University in Ho Chi Minh City. They were the first batch of recipients to benefit from the Vui Song Fund which drew support from the online community to help those in need by sharing their life's lessons. For every life lesson shared by the public, we made a donation to the Fund.

We granted 49 scholarships and gave much-needed school supplies and winter clothing to needy students in Lao Cai, a mountainous region, north-west of Hanoi.

In Indonesia, we supported the efforts of OJK (Otoritas Jasa Keuangan), the Financial Services Authority of Indonesia, to promote financial literacy. We participated in "Pasar Keuangan Rakyat" (People's Financial Market) exhibition aimed at educating the public on importance of financial planning and insurance. GELI also organised financial literacy talks for women and sponsored a "Getting to Know Indonesian Financial Service Authority and Financial Services Company" book for students in three senior high schools in Jakarta.

OTHER COMMUNITY INITIATIVES

During the festive seasons, employees and distribution representatives organised visits to spread cheer to our beneficiaries. In Singapore, we distributed new year goodies to the poor and organised a lunar new year lunch for needy kidney patients.

In Malaysia, our employees and distribution representatives spread lunar new year cheer to Angel Children's Home, 'buka puasa' or break fast with 100 students from Sekolah Tunas Bakti Sungai Besi in conjunction with Ramadan and celebrated the colours of Diwali with 'kolam-making' in Pure Life Society.

To celebrate Ramadhan and Hari Raya Aidil Fitri, Great Eastern Takaful Berhad (GETB) employees sponsored 100 orphan children from Rumah Anak-Anak Yatim At-Taqwa in Puchong on a shopping outing and also initiated a charity drive to raise funds for the elderly from Pusat Jagaan Al-Fikrah, Kajang, Selangor.

GELV's annual Vui Song blood donation drive continued to be a good success and attracted over 200 donors, including employees and distribution representatives and their families as well as customers. To raise the awareness on the importance of blood donation in saving lives, our Brunei branch organised a blood donation drive supported by various stakeholders, including customers.

GELV also donated to a disaster relief effort in aid of victims of the Da Dang hydropower tunnel collapse while GELI, together with other Indonesia Life Insurance Industry members, contributed IDR10 million through the Indonesian Red Cross to help victims affected by floods in Jakarta, Manado and the volcano eruption in Sinabung, North Sumatra.

HUMAN CAPITAL

People are what makes an organisation great. At Great Eastern, we value our employees and the relationship we have with them. As an employer of choice, we have made it our purpose to help them achieve their personal and professional best.



1. to 5. Across the Group, teamwork continued to be the cornerstone of the company's strong corporate culture.

ENGAGING OUR PEOPLE

We believe in providing a differentiated employee value proposition. This strategy is encapsulated in our LIFE Programme which champions building a healthy work force and our Making Life Great (MLG) Workshop where we encourage active two-way communication and teamwork as we strive towards building a strong and invigorating corporate culture.

Recognising that companies whose employees are highly engaged outperform those who are not and the key role leaders play in that regard, we started the year with a “Leaders’ Making Life Great Workshop” where they developed strategies to be cascaded to employees through the Department MLG Workshop. The three themes centred on: “Customer Centricity through Better and Greater Empowerment”; “Continuous Innovation and Improvement at Work”; and how leaders can “Engage our People” better.

Across the Group, our employee engagement strategy continued to be driven by these workshops which served as effective forums for employees to share and exchange ideas as well as contribute suggestions to improve the workplace. The workshops were also anchored on team bonding activities which further fostered a collaborative and positive work culture.

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 score which is ahead of the industry. In Malaysia, we were conferred the “100 Leading Graduate Employers 2014” award for the sixth consecutive year, reinforcing our determination to provide a nurturing environment for employees.

ENRICHING OUR EMPLOYEE PROPOSITION

As a LIFE company, Great Eastern places the well-being of our employees at the core of what we do.

Through our LIFE Programme, a key component of our Employee Value Proposition and the first-of-its-kind integrated employee benefit and health incentive programme, we empower, motivate and incentivise our employees to take charge of their health and wellness. Throughout the year, a series of health-focused workshops and activities are held to proactively engage our employees to spur them on their journey to better health.

The programme has enjoyed year-on-year increase in participation rate in both Singapore and Malaysia, while in Indonesia, a good 68% of employees registered for the programme in its inaugural year in 2014.

With the success of the programme, the overall health profile of the company has improved. In Singapore, 75% of employees who participated improved their health profile

status while Malaysia registered a marked increase of participants in the healthy zone from 69% to 84%.

INVESTING IN TALENT MANAGEMENT

Talent management is key to ensuring the long-term success of the company and to building a ready bench strength. Under our Group Talent Management Programme, we adopt a multi-pronged approach which includes careful talent identification, regular talent engagement and development, and a competitive compensation and rewards philosophy.

A key focus continued to be on developing our leadership capabilities to ensure we stay ahead of the competition in the fast-evolving business landscape. Executive programmes are offered to talents who have been earmarked for leadership and succession, together with job enlargements and rotations to better prepare them for progression within the company.

Through our Management Associate Programme and the Great Step Internship Programme, we also seek to attract young exceptional talents who go through a structured attachment programme before being identified and primed for future leadership.

Being part of the OCBC Group, we are well placed to provide employees opportunities for career development across the Group, including job rotations across different functions and geographic regions.

OUR PROFESSIONAL DISTRIBUTION FORCE

The Great Eastern family also comprises 20,000 trustworthy distribution representatives who consistently deliver professional advice and exceptional service.

In our various markets, best-in-class training programmes were conducted to update our force on product knowledge and technology, to shore up core competencies and to hone their soft skills to better meet the evolving needs of our customers.

In Singapore, we further instituted professional qualifications which included Certified Financial Planner (CFP) and Chartered Financial Consultant (ChFC) into our training and career roadmaps to benchmark our representatives against international standards.

For greater customer engagement, we invested in developing tools such as iDream and SynerGE to equip our representatives so that they can better serve our customers more seamlessly and efficiently.

During the year, we completed work on a new e-learning system for Singapore and Malaysia. Featuring mobile, video and social platforms, the e-system transcends traditional learning methodologies, extending learning beyond the classroom and traditional work day. This will enhance training efficiency and increase overall productivity.

AWARDS AND ACCOLADES



1. & 2. During the year, we captured a number of awards in Singapore, including several for our Great Eastern Women's Run; Mobile Excellence awards for our health and wellness iPhone app; and the prestigious Pinnacle Award from the Community Chest for our significant fund-raising efforts over a 20-year period.

In 2014, Great Eastern continued to uphold excellence and across the Group, we were recognised for our customer-centricity and community initiatives.

These accolades are a firm affirmation of the strength of the Great Eastern brand and the trust that our customers and industry peers have in us.

We are deeply encouraged by these awards which will spur us to continue to put in our best efforts and go the extra mile to deliver the best to our stakeholders.

SINGAPORE

Ranked 8th in Top 100 Singapore Brands
Brand Finance

Best Event for a Targeted Community (Gold)
Best Sport Oriented Event (Bronze)
Marketing Events Awards 2014, Marketing Magazine

Excellence in Sponsorship Activation
Marketing Excellence Awards 2014, Marketing Magazine

Best Use of Incentives and Rewards (Silver)
Best Original Content (Bronze)
MOB-EX (Mobile Excellence) Awards 2014, Marketing Magazine

Pinnacle Award
Community Chest

Trusted Brand Gold Award 2014
Reader's Digest

MALAYSIA

Outstanding Business Awards: 100 Years of Excellence (Insurance Category)
The Malaysia Book of Records



3. & 4. In Malaysia, we were honoured with the Outstanding Business Awards: 100 Years of Excellence (Insurance Category) by The Malaysia Book of Records. GELM Director & CEO Dato Koh Yaw Hui received the award from Prime Minister of Malaysia YAB Dato' Sri Mohd Najib Bin Tun Abdul Razak.

BestBrands Brand of the Year Award 2013-2014 (Insurance Category)

Brand Laureate

Educational Achievement Award 2014

LOMA

Malaysia Power Brand Award 2014

Asia Entrepreneur Alliance

8th Asia Entrepreneur of The Year: Entrepreneurial Spirit Award

[Awarded to Dato Koh Yaw Hui, Director and CEO, Great Eastern (Malaysia)]

Asia Entrepreneur Alliance

Time Honoured Brand

Sin Chew Daily

Malaysia's 100 Leading Graduate Employers 2014 (Insurance Category)

GTI Media

Top Community Care Companies in Asia

Asia Corporate Excellence & Sustainability Awards 2014,
MORS Group

Trusted Brand Gold Award 2014

Reader's Digest

INDONESIA

Best Innovation in Marketing

Marketing Awards 2014, Marketing Magazine

Best Life Insurance Brand

Global Brand Magazine

1st Rank, The Most Profitable Investment for category
asset < IDR100bio

2nd Rank, The Best Islamic Life Insurance for category
asset < IDR100bio

10th Islamic Finance Awards 2014, Karim Business Consulting
(Sharia Business)

VIETNAM

Mom's Choice for Kids' Greater Future Award

Family and Children Magazine

Golden Dragon Award

Vietnam Economic Times Magazine and Ministry of Planning
& Investment

YEAR IN REVIEW (HIGHLIGHTS)



1. In Singapore, we further enhanced our product suite with differentiated solutions to meet our customers' evolving needs.
2. In Malaysia, our Centre for Excellence signals our commitment to greater professionalism and customer service excellence.
3. The Great Eastern hospitality suite at the iconic National Stadium serves as a good venue for customer engagement.
4. GETB Chairman YBhg Datuk Kamaruddin Taib was a special guest at the GELM and GETB Hari Raya gathering attended by leaders and agents from across Malaysia.
5. The Great Eastern Women's Run, Asia's largest all-women run, is a signature event under our Live Great programme.

JANUARY

- GELS introduced *FlexiLife Multiplier* and *Critical Illness Protector Multiplier*.
- GELM launched *Great Early Living Care*.
- GELI launched the LIFE Programme for employees.

FEBRUARY

- The 2014 Great Eastern Charity Shield raised S\$122,618 for The Straits Times School Pocket Money Fund in support of needy school children.
- GELS extended its sponsorship of the S.League for the sixth successive season.
- GELM launched its Live Great Space at Menara Great Eastern.
- GELI supported the Indonesian Red Cross to provide relief to disaster victims.

MARCH

- Great Eastern opened its representative office in Yangon, Myanmar.
- GELI launched *Max Prestige Saver*.
- GELV won the Golden Dragon Award for the fifth consecutive year.
- GELV awarded 25 Vui Song (Live Great) scholarships to needy deserving students.

APRIL

- Great Eastern inked an agreement with the Singapore Sports Hub as its first Founding Partner and Official Insurance Partner.
- The Great Eastern-Star Health Fair in Malaysia attracted a good crowd of over 30,000.
- GELM's Centre for Excellence was officially opened by Datuk Ahmad bin Hj. Maslan, Malaysia's Deputy Finance Minister.
- GELM was awarded The Malaysia Book of Records' Outstanding Business Awards: 100 Years of Excellence for the Insurance Category.
- GELM presented cash awards to 50 needy students under Program Aspirasi Gemilang 'A'.

MAY

- GELS and GELM garnered the Reader's Digest Trusted Brand Gold Award.
- GELM received The BrandLaureate BestBrands, Brand of the Year Award 2013-2014 for the Insurance Category.
- GELM launched *SmartMedic Xtra* and *SmartExtender*.
- GELI launched *Max Link*.

JUNE

- GELS and OCBC Bank hosted 1,700 young and elderly beneficiaries to an outing at the Singapore Sports Hub.
- GELI signed an agreement of co-operation for the Coordination of Benefit Scheme with BPJS Kesehatan (Social Security Management Agency of Health).

JULY

- GELS launched *Supreme Education* and *Parent Assurance Benefit rider*.
- GELS launched iDream, an interactive financial planning tool and SynerGE, an enhanced point-of-sale system.
- GELB launched *Supreme Retirement* and *FlexiEndowment*.
- Great Eastern Holdings was ranked 8th out of 100 top Singapore brands.

AUGUST

- Great Eastern turns 106.
- GELS launched the OCBC Great Eastern Cashflo Card, Singapore's first health and wellness credit card.
- GEFA launched Premier Client Group to better serve affluent customers.
- GELM introduced *SmartProtect Max*.
- GELM awarded 15 Supremacy Scholarships to needy students.
- GETB and GELM held a "We are Family" Hari Raya celebration.

SEPTEMBER

- GELS received the prestigious Pinnacle Award.
- GELS and OCBC Bank jointly launched *MaxMaternity Care*, Singapore's first 'pure maternity protection plan'.
- GELS embarked on the first phase of edGE, a holistic customer relationship management system.

- GELM supported the Heart Exhibition in conjunction with World Heart Day.
- GELM was recognised at the Malaysia Power Brand Hall of Fame Award.
- GELM introduced *Great Golden Gift* and *Great Wealth Booster*.

OCTOBER

- GELM received recognition as a Lifetime Heritage Brand (Time Honoured Brand Awards).
- GELI clinched Best Innovation in Marketing Award by Marketing Magazine.

NOVEMBER

- In celebration of Singapore's 50th birthday in 2015, GELS sponsored 25,000 wishing spheres for the Marina Bay Singapore Countdown 2015 and launched GE SG50 Baby and GE SG50 Wishes.
- A record 15,500 women participated in the Great Eastern Women's Run in Singapore.
- GELM's Live Great Run in Kuala Lumpur attracted a good turnout.
- GELM was awarded the Asia Corporate Excellence & Sustainability Award for being one of the top five community care companies in Asia.
- GELV's Vui Song Blood Drive was a good success.
- GETB and Bank Muamalat Malaysia Berhad signed a distribution agreement and launched *M-Tiara Hajj*.

DECEMBER

- Great Eastern Johor Bahru 10km Run was held.
- GELV granted 49 scholarships to needy deserving students in Lao Cai.
- GETB launched *i-Great Raudhah* (Al-Rajhi).
- GELI launched several new investment funds, including *GreatLink Supreme Equity Maxima Fund*.
- GELI participated in the People's Financial Market (Pasar Keuangan Rakyat) exhibition to promote the importance of financial planning and insurance.
- GELS raised S\$31,622 for its GoldenCare programme.



GREAT
STARTS SMALL

Great Starts Small. As a LIFE company,
Great Eastern values how a little can go a long way.
We believe that every purposeful action undertaken today,
no matter how small, will lead to a greater and better tomorrow.

The spherical icon and the dynamic rays represent the world
of Great Eastern... a world which is constantly evolving and
continually expanding in diverse and vibrant ways to empower
the lives around us – our customers, employees, distribution
representatives, partners and other stakeholders –
to make a meaningful difference.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Beng Seng, Chairman
Norman Ip, Acting Group CEO
Cheong Choong Kong
Law Song Keng
Lee Chien Shih
Kyle Lee Khai Fatt
Tan Yam Pin
Samuel N Tsien

GROUP COMPANY SECRETARY

Jennifer Wong Pakshong

REGISTERED OFFICE

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SHARE REGISTRAR

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AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner In Charge: Mak Keat Meng
(since financial year 2013)

SENIOR ADVISOR

Lee Seng Wee

NOMINATING COMMITTEE

Cheong Choong Kong, Chairman
Norman Ip
Koh Beng Seng
Lee Chien Shih
Kyle Lee Khai Fatt

EXECUTIVE COMMITTEE

Koh Beng Seng, Chairman
Cheong Choong Kong
Norman Ip
Law Song Keng

AUDIT COMMITTEE

Kyle Lee Khai Fatt, Chairman
Law Song Keng
Tan Yam Pin

REMUNERATION COMMITTEE

Norman Ip, Chairman
Koh Beng Seng
Lee Chien Shih

RISK MANAGEMENT COMMITTEE

Koh Beng Seng, Chairman
Law Song Keng
Tan Yam Pin
Samuel N Tsien

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 emphasise 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 has adopted the corporate governance practices that conform with the Banking (Corporate Governance) Regulations 2005 and the Banking (Corporate Governance) (Amendment) Regulations 2010, and any exemptions thereto (collectively, the "CG Regulations"), as well as the corporate governance guidelines issued by MAS on 3 April 2013 which are applicable to financial holding companies that are incorporated in Singapore (the "MAS CG Guidelines"). The Company also observes the Code of Corporate Governance 2012 (the "Code") as part of its listing obligations. Where differences exist between the requirements of the above, the Company follows the CG Regulations.

THE BOARD'S CONDUCT OF AFFAIRS

Board's 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 of the Company and the Group;
- (c) ensuring that interests of shareholders and other stakeholders are properly taken into account in managing the Company's and the Group's business;
- (d) ensuring that the necessary human resources are in place for the Company to meet its objectives;
- (e) ensuring that the Company is operated in accordance with policies approved by the Board so as to preserve its financial integrity;
- (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 of the Company and Group reflects its strategic intent, taking into account the operating and regulatory environment, and consists of a balanced set of return objectives and risk tolerance, such as effectiveness of internal controls and capital sufficiency;
- (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 Management Committee, the establishment and operation of an independent risk management function, the adequacy of the risk management policies and systems and the quality of the risk management processes and reporting;
- (j) overseeing the succession planning for key senior executive positions within the Group and selection and appointment of senior executive officers;
- (k) establishing corporate values and standards, emphasising 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;
- (l) providing a balanced and understandable assessment of the performance, position and prospects of the Company and the Group to shareholders and the investment community in general. This includes information provided in interim and other price-sensitive public reports, and regulatory reports;
- (m) 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;
- (n) reviewing Management's performance and ensuring that Management formulates policies and processes to promote fair practices and high standards of business conduct by staff; and
- (o) maintaining records of all Board and Board Committee meetings, in particular, records of discussions on key deliberations and decisions taken.

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.

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 Management Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference.

The Company's Board Committees in carrying out their responsibilities in accordance with their respective terms of reference are also actively involved 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, and are circulated to the Board on a regular basis.

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. All members of the Board participate actively in Board discussions and decisions are taken objectively in the interests of the Company. The Board works with Management to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, *ad hoc* Board or Board Committee meetings will be convened. In 2014, the Board held five scheduled Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Articles of Association. If a Director is unable to attend any Board or Board Committee meeting, he will still receive all the papers and materials to be tabled for discussion at that meeting.

The number of meetings of the Board and Board Committees held in 2014 and the attendance of the Directors at those meetings are tabulated on the next page.

CORPORATE GOVERNANCE REPORT

Directors' attendance at Board and Board Committee meetings in 2014

Name of Director	Board		Nominating Committee			Audit Committee		
	No. of Meetings Scheduled		No. of Meetings Scheduled			No. of Meetings Scheduled		
	Held	Attended	Held	Attended	Ad hoc	Held	Attended	Ad hoc
Koh Beng Seng ⁽¹⁾	5	5	2	2	5	–	–	–
Fang Ai Lian ⁽²⁾	1	1	1	1	2	1	1	–
Christopher Wei ⁽³⁾	4	2	–	–	–	–	–	–
Norman Ip ⁽⁴⁾	5	5	2	2	4	2	2	1
Cheong Choong Kong	5	5	2	2	5	–	–	–
Law Song Keng	5	5	–	–	–	4	4	1
Lee Chien Shih	5	5	2	2	4	–	–	–
Kyle Lee Khai Fatt ⁽⁵⁾	3	3	1	1	3	2	2	–
Tan Yam Pin ⁽⁶⁾	5	5	–	–	–	3	3	1
Samuel N Tsien	5	5	–	–	–	–	–	–

Name of Director	Remuneration Committee		Executive Committee		Risk Management Committee	
	No. of Meetings Scheduled		No. of Meetings Scheduled		No. of Meetings Scheduled	
	Held	Attended	Held	Attended	Held	Attended
Koh Beng Seng ⁽¹⁾	1	1	2	2	6	6
Fang Ai Lian ⁽²⁾	1	1	1	1	–	–
Christopher Wei ⁽³⁾	–	–	–	2 ⁽⁷⁾	5	3
Norman Ip ⁽⁴⁾	–	–	4	4	–	–
Cheong Choong Kong	–	–	5	5	–	–
Law Song Keng	–	–	5	5	6	6
Lee Chien Shih	1	1	–	–	–	–
Kyle Lee Khai Fatt ⁽⁵⁾	–	–	–	–	–	–
Tan Yam Pin ⁽⁶⁾	–	–	–	–	6	6
Samuel N Tsien	–	1 ⁽⁷⁾	–	4 ⁽⁷⁾	6	6

Notes:

⁽¹⁾ Appointed as Chairman and Chairman of Executive Committee with effect from 1 September 2014.

⁽²⁾ Retired as Chairman with effect from 16 April 2014.

⁽³⁾ Stepped down as Director on 30 September 2014.

⁽⁴⁾ Appointed as Chairman of Audit Committee on 1 January 2014. Appointed as Chairman and Chairman of Remuneration Committee and Executive Committee on 17 April 2014. Stepped down as Chairman of Audit Committee on 30 June 2014. Stepped down as Chairman and Chairman of Executive Committee on 31 August 2014.

⁽⁵⁾ Appointed as Director, Chairman of Audit Committee and Member of Nominating Committee, all with effect from 1 July 2014.

⁽⁶⁾ Appointed as Member of Risk Management Committee with effect from 1 January 2014 and Member of Audit Committee with effect from 17 April 2014.

⁽⁷⁾ By invitation.

Directors' attendance at the annual general meeting of the Company is not included in the above table.

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.

Total number of *ad hoc* meetings held in 2014 – Nominating Committee: 5; Audit Committee: 1.

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

Board Membership

The Company's present Board of eight Directors comprises an Independent Chairman, Mr Koh Beng Seng, Director and Acting Group Chief Executive Officer ("Acting Group CEO"), Mr Norman Ip and six other non-executive Directors. The six non-executive Directors are Dr Cheong Choong Kong, Mr Law Song Keng, Mr Lee Chien Shih, Mr Kyle Lee Khai Fatt, Mr Tan Yam Pin and Mr Samuel N Tsien.

Mr Norman Ip was appointed as Chairman of the Board on 17 April 2014 after Mrs Fang Ai Lian stepped down as Chairman of the Board after the Company's Annual General Meeting ("AGM") on 16 April 2014. Mr Ip assumed an executive role following the announcement of Mr Christopher Wei's resignation as Group CEO on 26 June 2014. On 31 August 2014, Mr Norman Ip stepped down as Chairman and continued to serve on the Board of the Company as Director and Acting Group CEO.

On 1 September 2014, Mr Koh Beng Seng was appointed as Chairman of the Board.

Mr Kyle Lee Khai Fatt was appointed to the Board on 1 July 2014 and will be subject to re-election at the Company's AGM on 15 April 2015 pursuant to the Company's Articles of Association.

All appointments and re-appointments of Directors are subject to the approval of MAS. A formal letter of appointment is sent to every new Director.

Key information on Directors

The key information on each Director is set out under the sections 'Board of Directors' and 'Further Information on the Directors' of the Company's Annual Report. Directors' interests in shares and share options in the Company and in the Company's parent company, Oversea-Chinese Banking Corporation Limited ("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 Composition and 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 of the Company is one who is independent from the substantial shareholders of the Company, and management and business relationships with the Company, and has not served for more than nine years on the Board.

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 currently Mr Koh Beng Seng, Mr Law Song Keng and Mr Kyle Lee Khai Fatt.

Dr Cheong Choong Kong sits on the board of OCBC Bank and hence under the CG Regulations, is not independent from substantial shareholder, but has been determined by the Nominating Committee to be independent from management and business relationships with the Company and its subsidiaries. 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 Norman Ip are non-independent Directors. Mr Samuel N Tsien is the CEO and Executive Director of OCBC Bank and Mr Norman Ip is currently the Acting Group CEO of the Company.

Although Mr Tan Yam Pin is a non-executive Director, he is considered a non-independent Director as he has served for more than nine years on the Board.

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

CORPORATE GOVERNANCE REPORT

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 and customers) and actuarial science, investment and asset management (including real estate and property), knowledge in banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. 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, Mr Koh Beng Seng, and the Acting Group CEO, Mr Norman Ip, 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 Acting 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 Company Secretary and Management.

The Acting 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 the Acting Group CEO are already separate persons, are not related to each other and the Chairman is not part of the 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 a Lead Independent Director 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.

The Nominating Committee comprises the following Directors:

- Dr Cheong Choong Kong, Chairman
- Mr Koh Beng Seng, Member
- Mr Norman Ip, Member
- Mr Lee Chien Shih, Member
- Mr Kyle Lee Khai Fatt, Member

A majority of the members are independent from management and business relationships and at least one-third, being Mr Koh Beng Seng and Mr Kyle Lee Khai Fatt, are independent Directors under the CG Regulations.

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

CORPORATE GOVERNANCE REPORT

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 collectively required by 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, amongst others, 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. Such reviews are also conducted on an annual basis.

The Nominating Committee held a total of seven meetings (including five *ad hoc* meetings) in 2014.

Re-nomination and Re-appointment 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. In accordance with the Company's Articles of Association, newly appointed Directors will hold office until the next AGM, and

if eligible, can stand for re-election. Retiring Directors are eligible for re-election/re-appointment 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.

Board Orientation and Training

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. 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.

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 including programmes conducted by the Singapore Institute of Directors where relevant.

The Company funds the training and development programmes for existing and new Directors that it arranges.

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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.

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 the extent of other appointments outside the Company that a Director may assume. 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 and degree of participation at meetings.

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 clarifications to queries raised are usually present at the meeting during discussion 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 Company Secretary and to senior management executives of the Company and the Group at all times.

The 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 Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of the 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.

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The Remuneration Committee comprises the following Directors:

- Mr Norman Ip, Chairman
- Mr Koh Beng Seng, Member
- Mr Lee Chien Shih, Member

A majority of the members are independent from management and business relationships and Mr Koh Beng Seng is an independent Director under the CG Regulations.

The Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors and senior management executives.

The principal responsibilities of the Company's Remuneration Committee are to recommend 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, the framework covers all aspects of remuneration including salaries, allowances, bonuses, share options and other incentives and benefits. The Remuneration Committee also ensures 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.

The Remuneration Committee members are well-versed in executive compensation matters, given their extensive experience in senior corporate positions and major appointments. They 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.

In 2014, Towers Watson provided independent advisory services on the Group's compensation framework to ensure greater alignment of pay policies and practices with market and regulatory standards, and on its staff benefits program. Towers Watson is not related to the Company and the Company is not aware of any business or personal relationships between Towers Watson and the Company's Directors and key management executives.

The Remuneration Committee held one meeting in 2014.

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.

CORPORATE GOVERNANCE REPORT

The Remuneration Committee has considered the market practices for non-executive director compensation and, on its recommendation, the Board has decided to use the same fee structure for computing the fee for each non-executive Director for the financial year ended 31 December 2014 ("FY2014") as that used in the previous financial year:

		Annual retainer
Board	Chairman	\$300,000
	Member	\$75,000
Board Committees	<u>Chairman:</u> <ul style="list-style-type: none"> Audit Committee Executive Committee Risk Management Committee 	\$60,000
	<u>Chairman:</u> <ul style="list-style-type: none"> Nominating Committee Remuneration Committee 	\$30,000
	<u>Member:</u> <ul style="list-style-type: none"> Audit Committee Executive Committee Risk Management Committee 	\$30,000
	<u>Member:</u> <ul style="list-style-type: none"> Nominating Committee Remuneration Committee 	\$15,000
Attendance fees per Board or Board Committee meeting		\$3,000

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.

Mr Christopher Wei, who was formerly an Executive Director of the Company, was not paid a Director's fee, but received a remuneration package comprising a basic component, a variable performance-related component, long-term incentives and benefits-in-kind as the former Group CEO. 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 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 the Executive Director and senior executives, the Remuneration Committee also takes into account their potential for future development and contribution to the Group.

CORPORATE GOVERNANCE REPORT

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.

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 on an ongoing basis 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 Company does not provide any termination, retirement and post-employment benefits to its Executive Director and key management personnel.

Disclosure on Directors' remuneration

The total Directors' remuneration from the Company in respect of FY2014 is shown in the table below. Non-executive Directors will be paid Directors' fees totalling \$1,821,000 in respect of FY2014, subject to shareholders' approval at the Company's AGM on 15 April 2015. For the financial year ended 31 December 2013, non-executive Directors were paid Directors' fees totalling \$1,937,000.

A payment of \$820,000 has been proposed as a Special Director's fee in recognition of Mr Norman Ip's contributions to the Company during the period of Group CEO transition in FY2014. This award is subject to shareholders' approval at the forthcoming AGM.

Directors' remuneration for FY2014

Name of Director		Total Remuneration \$'000	Salary & Fees \$'000	Special Director's Fee \$'000	Bonuses ⁽¹⁾ \$'000	Long-term incentives ⁽²⁾ \$'000	Benefits-in-kind ⁽³⁾ \$'000
Koh Beng Seng ⁽⁴⁾	Non-executive	326	326	-	-	-	-
Norman Ip ⁽⁵⁾	Acting Group CEO	1,155	328	820	-	-	7
Fang Ai Lian ⁽⁶⁾	Non-executive	175	169	-	-	-	6
Cheong Choong Kong	Non-executive	189	189	-	-	-	-
Law Song Keng	Non-executive	231	231	-	-	-	-
Lee Chien Shih	Non-executive	144	144	-	-	-	-
Kyle Lee Khai Fatt ⁽⁷⁾	Non-executive	102	102	-	-	-	-
Tan Yam Pin	Non-executive	176	176	-	-	-	-
Samuel N Tsien ⁽⁸⁾	Non-executive	156	156	-	-	-	-
Christopher Wei ⁽⁹⁾	Group CEO	3,740	825	-	1,348	1,318	249

Notes:

- ⁽¹⁾ Bonuses comprise variable bonus paid in 2014 and long-term incentive take-out.
⁽²⁾ Represents fair value of grant of shares options under the OCBC Share Option Scheme 2001 and award of deferred shares under the OCBC Deferred Share Plan.
⁽³⁾ Represents non-cash-component and comprises housing allowance, car, club, insurance benefits and employer's contribution to the Central Provident Fund.
⁽⁴⁾ Appointed as Chairman with effect from 1 September 2014.
⁽⁵⁾ Appointed as Chairman from 17 April 2014 to 31 August 2014; served as Acting Group CEO from 1 July 2014.
⁽⁶⁾ Retired as Chairman with effect from 16 April 2014.
⁽⁷⁾ Appointed as Director with effect from 1 July 2014.
⁽⁸⁾ The Director's fee attributable to Mr Samuel N Tsien is paid to OCBC Bank.
⁽⁹⁾ Stepped down as Director and Group CEO with effect from 30 September 2014.

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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 or the Acting Group CEO had immediate family members who were employees of the Company in 2014.

Share-based incentives

The Company does not have any share option scheme or share plan in place. Instead, the Company's holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 and awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Group, based on recommendations of the Remuneration Committee.

Details of the share options and share awards granted to the Company's eligible executives are disclosed in the financial statements. Further details of the above share option scheme and share plan are set out in Note 33 of the Notes to the Financial Statements and 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 Group, including financial statements and other reports.

The Board provides to shareholders, on a quarterly basis, the financial statements of 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 Group's performance, position and prospects. These financial reports and other price-sensitive information are disseminated to shareholders through announcements via SGXNET to the Singapore Exchange Securities Trading Limited ("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 available on 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 non-executive 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 the following Directors:

- Mr Kyle Lee Khai Fatt, Chairman
- Mr Law Song Keng, Member
- Mr Tan Yam Pin, Member

All the Audit Committee members are independent from management and business relationships and a majority, being Mr Kyle Lee Khai Fatt 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 Kyle Lee Khai Fatt and Mr Tan Yam Pin 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 a total of five meetings (including an *ad hoc* meeting) in 2014, 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 ("Group CFO").

CORPORATE GOVERNANCE REPORT

The functions performed by the Audit Committee and details of the Audit Committee's activities during FY2014 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 audits; 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;
 - 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 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 review of the independence of the external and internal auditors.
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 relationships between the Group and the external auditor (including non-audit services provided by the external auditor) for FY2014, and is satisfied that the provision of such non-audit services would not, in its opinion, affect the independence of the external auditor. Please refer to Note 8 of the Notes to the Financial Statements for details of fees payable to the external auditor in respect of audit and non-audit services.

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 in relation to its auditors.

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. If fraud is determined, appropriate remedial action will be taken and the Audit Committee updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith.

The Audit Committee, in performing its functions, met at least annually 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, and to information and such persons within the Group as necessary to conduct the audit.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROLS

The Company has in place, self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their internal controls, and their level of compliance with applicable rules and regulations. The results of evaluations are reviewed by senior management. The Board has received assurance from the Acting Group CEO and Group CFO 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.

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 and Risk Management Committees, 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 2014, 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.

Group Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, including not only financial risks, but operational,

technology, compliance and strategic risks as well. The work undertaken by Group Audit involves the assessment of the adequacy and effectiveness of the Group's risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring prompt and accurate recording of transactions and the adequate safeguarding of assets. Reviews conducted by Group Audit also focus on the Group's compliance with relevant laws and regulations, adherence to established policies and whether management has taken appropriate measures to address control deficiencies.

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.

The 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 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 MANAGEMENT COMMITTEE AND RISK MANAGEMENT

The Risk Management Committee is required to comprise at least three Directors, a majority of whom (including the Chairman of the Risk Management 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.

CORPORATE GOVERNANCE REPORT

The Risk Management Committee comprises the following Directors:

- Mr Koh Beng Seng, Chairman
- Mr Law Song Keng, Member
- Mr Tan Yam Pin, Member
- Mr Samuel N Tsien, Member

All the members are non-executive Directors and have the relevant technical financial sophistication in risk disciplines or business experience to enable them to discharge their duties effectively.

The Risk Management Committee is responsible for the oversight of market, credit, liquidity, insurance, operational, technology, regulatory and compliance risks to manage the financial and reputational impact arising from these risks. 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 set and approved by the Board. The Risk Management 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.

The Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. Such terms of reference include the review and approval or endorsement of frameworks, major policies, charters and strategies for effective risk management relating to risk management, investment management, asset-liability management and liability management activities. The terms of reference also include 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 Management Committee oversees – the Group Management Team and Group Asset-Liability Committee. Material investment-related activities and transactions are reviewed and approved by the Risk Management Committee and reported to the Board for information or for endorsement or approval, as applicable.

The Risk Management Committee endorses the appointment and annual appraisal of the Group Chief Risk Officer, who reports directly to the Risk Management Committee and the Group CEO. The appointment of the Group Chief Risk Officer also requires the prior approval of MAS.

The Group Chief Risk Officer is responsible for managing the Group's risk management systems and establishing processes of identifying, assessing, measuring, controlling, mitigating, monitoring and reporting 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 Management Department regularly engages senior management to develop enterprise-wide risk controls and risk mitigation procedures.

The Risk Management Committee held a total of six meetings in 2014.

The Group's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 37 of the Notes 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 the following Directors:

- Mr Koh Beng Seng, Chairman
- Mr Norman Ip, Member
- Dr Cheong Choong Kong, Member
- Mr Law Song Seng, Member

A majority of the members of the Executive Committee are independent from management and business relationships. Both Mr Koh Beng Seng and Mr Law Song Keng are independent Directors under the CG Regulations.

The Executive Committee carries out the functions set out in its Board-approved written 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.

CORPORATE GOVERNANCE REPORT

The Executive Committee held a total of five meetings in 2014.

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, quarterly results presentation materials, 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. One of the key roles of the Group's Corporate Communications and Investor Relations Departments is to keep the market and investors apprised of the Group's major corporate developments and financial performance through regular media releases, briefings and meetings with the media, analysts and fund managers.

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. The Company also allows investors, who

hold shares through nominees such as CPF and custodian banks to attend the AGM as observers when they comply with prescribed procedures for attendance.

Since 2012, the Company has conducted electronic poll voting for all the resolutions passed at the AGM, for greater transparency in the voting process. Detailed results of the votes, showing the number of votes cast for and against each resolution and the respective percentages, are announced.

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

CORPORATE GOVERNANCE REPORT

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. Directors and 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 terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflicts of interest are excluded from the approval process of granting and managing related party transactions. Material related party transactions are reported to the Audit Committee for review and to the Board for approval.

The Company also complies with the SGX-ST Listing Manual on interested person transactions.

Details of the Company's related party transactions and interested person transactions during FY2014 are respectively set out in Note 35 of the Notes to the Financial Statements and page 198 of this Annual Report.

ETHICAL STANDARDS

The Directors and Management are committed to promoting and maintaining values which emphasise 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 of Conduct 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.

The Company treats feedback and complaints from its customers seriously, and has instituted channels whereby customers may provide feedback or complaints. The Company aims to resolve feedback and complaints professionally and fairly in accordance with the service standards indicated on its website.

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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 2014.

1. DIRECTORS

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

Mr Koh Beng Seng, Chairman
Mr Norman Ip, Acting Group Chief Executive Officer
Dr Cheong Choong Kong
Mr Law Song Keng
Mr Lee Chien Shih
Mr Kyle Lee Khai Fatt (appointed on 1 July 2014)
Mr Tan Yam Pin
Mr Samuel N Tsien

Mr Norman Ip and Mr Samuel N Tsien 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 Kyle Lee Khai Fatt, who was appointed to the Board under 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, Mr Law Song Keng 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.

Mrs Fang Ai Lian and Mr Christopher Wei stepped down as Directors of the Company on 16 April 2014 and 30 September 2014 respectively.

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 2015. Directors' interests in shares in, or debentures of, the Company's holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") and its related corporations were 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 1.1.2014 or date of appointment	As at 31.12.2014	As at 1.1.2014 or date of appointment	As at 31.12.2014
Ordinary shares in the capital of OCBC Bank				
Dr Cheong Choong Kong	584,373	1,013,990	10,831 ⁽¹⁾	12,646 ⁽¹⁾
Mr Norman Ip	3,383	3,950	–	–
Mr Law Song Keng	97,379	109,551	13,555 ⁽¹⁾	15,249 ⁽¹⁾
Mr Lee Chien Shih	1,999,134	2,333,942	–	–
Mr Kyle Lee Khai Fatt	–	114,985	100,000	–
Mr Samuel N Tsien	183,029	315,460	344,227 ⁽²⁾	533,142 ⁽³⁾
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 Chien Shih	176,000	176,000	–	–
OCBC Capital Corporation (2008)				
5.1% non-cumulative non-convertible guaranteed preference shares				
Dr Cheong Choong Kong	10,000	10,000	–	–
Mr Tan Yam Pin	–	–	2,000 ⁽¹⁾	2,000 ⁽¹⁾
OCBC Bank 5.6% Subordinated Notes Due 2019				
Mr Tan Yam Pin	–	–	500,000 ⁽¹⁾	–

Notes:

(1) Held by spouse.

(2) Comprises deemed interest in 336,451 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 7,776 ordinary shares granted under the OCBC Employee Share Purchase Plan.

(3) Comprises deemed interest in 525,550 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 7,592 ordinary shares granted under the OCBC Employee Share Purchase Plan.

DIRECTORS' REPORT

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

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 had 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 1.1.2014	As at 31.12.2014	As at 1.1.2014	As at 31.12.2014
Dr Cheong Choong Kong	2,030,736	1,802,173	-	-
Mr Samuel N Tsien	1,827,201	2,545,137	-	-

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 another Director in his capacity as the Chief Executive Officer of the Company's holding company, OCBC Bank.

5. SHARE OPTIONS

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

6. AUDIT COMMITTEE

The Audit Committee ("AC") comprises three non-executive Directors. The AC members at the date of this report are Mr Kyle Lee Khai Fatt (AC Chairman), Mr Law Song Keng and Mr Tan Yam Pin. The AC convened five meetings during the financial year under review.

The AC performs the functions specified under Section 201B(5) of the Companies Act, Chapter 50, including reviewing with the auditor its audit plan, its evaluation of the system of internal accounting controls and its audit report, reviewing the assistance given by the Company's officers to the auditor, reviewing the scope and results of the internal audit procedures, reviewing the financial statements of the Company and of the Group and the auditor's report thereon prior to their submission to the Company's Board of Directors. Details of the functions performed by the AC, including functions specified in the SGX-ST Listing Manual, Banking (Corporate Governance) Regulations 2005, Banking (Corporate Governance) (Amendment) Regulations 2010, MAS Guidelines on Corporate Governance and the Code of Corporate Governance 2012, are set out in the Report on Corporate Governance included in the Company's Annual Report for the financial year ended 31 December 2014.

The AC has nominated Ernst & Young LLP for re-appointment as auditor at the forthcoming AGM of the Company.

DIRECTORS' REPORT

7. AUDITOR

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

On behalf of the Board of Directors

Koh Beng Seng
Chairman

Singapore
5 February 2015

Norman Ip
Director

STATEMENT BY DIRECTORS

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

We, Koh Beng Seng and Norman Ip, 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 2014, 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 2014 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

Koh Beng Seng
Chairman

Norman Ip
Director

Singapore
5 February 2015

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 74 to 196, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the profit and loss statements, statements of comprehensive income and the statements of changes in equity of the Group and the Company, the consolidated 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 2014 and the results, 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.

PROFIT & LOSS STATEMENTS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2014	2013	2014	2013
Gross Premiums		8,209.8	7,977.5	-	-
Life assurance profit from:					
Participating Fund		138.4	145.5	-	-
Non-participating Fund		422.9	279.2	-	-
Investment-linked Fund		206.5	174.0	-	-
Profit from life assurance		767.8	598.7	-	-
Profit from general insurance		37.3	25.5	-	-
Profit from insurance business		805.1	624.2	-	-
Dividend from subsidiaries		-	-	1,054.2	356.3
Investment income, net	4	132.5	112.0	-	-
Gain on sale of investments and changes in fair value ⁽¹⁾	5	30.8	52.1	-	-
Gain on disposal of interest in a joint venture		31.9	-	-	-
Increase in provision for impairment of assets		(1.3)	(0.7)	-	-
Gain on exchange differences ⁽¹⁾		10.6	5.7	-	-
Profit from investments in Shareholders' Fund		204.5	169.1	1,054.2	356.3
Fees and other income		72.9	71.0	1.1	0.9
Profit before expenses		1,082.5	864.3	1,055.3	357.2
less:					
Management and other expenses		78.3	45.5	11.9	10.6
Interest expense		18.3	18.3	-	-
Depreciation		1.9	2.1	-	-
Expenses		98.5	65.9	11.9	10.6
Profit after expenses		984.0	798.4	1,043.4	346.6
Share of loss after income tax of associates		(1.6)	-	-	-
Share of loss after income tax of joint ventures		-	(7.9)	-	-
Profit before income tax	8	982.4	790.5	1,043.4	346.6
Income tax		(94.4)	(106.7)	-	-
Profit after income tax		888.0	683.8	1,043.4	346.6
Attributable to:					
Shareholders		878.6	674.8	1,043.4	346.6
Non-controlling interests		9.4	9.0	-	-
		888.0	683.8	1,043.4	346.6
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	10	\$1.86	\$1.43		

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2014	2013	2014	2013
Profit after income tax for the year		888.0	683.8	1,043.4	346.6
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Exchange differences arising on translation of overseas entities attributable to non-controlling interests		-	(0.4)	-	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of overseas entities		(14.4)	(23.4)	-	-
Share of other comprehensive income of associates and joint ventures		1.7	3.5	-	-
Available-for-sale financial assets:					
Changes in fair value		260.4	(51.8)	-	-
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	(33.0)	(35.7)	-	-
Tax on changes in fair value	9	(37.6)	14.9	-	-
Other comprehensive income for the year, after tax		177.1	(92.9)	-	-
Total comprehensive income for the year		1,065.1	590.9	1,043.4	346.6
Total comprehensive income attributable to:					
Shareholders		1,055.2	582.8	1,043.4	346.6
Non-controlling interests		9.9	8.1	-	-
		1,065.1	590.9	1,043.4	346.6

BALANCE SHEET – GROUP

as at 31 December

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Share capital	11	152.7	152.7	152.7	152.7	-	-
Reserves							
Currency translation reserve	12	(96.4)	(82.9)	(96.4)	(82.9)	-	-
Fair value reserve	12	159.1	(31.0)	159.1	(31.0)	-	-
Accumulated profit		5,656.4	5,038.1	5,656.4	5,038.1	-	-
SHAREHOLDERS' FUND		5,871.8	5,076.9	5,871.8	5,076.9	-	-
NON-CONTROLLING INTERESTS		60.1	50.4	60.1	50.4	-	-
TOTAL EQUITY		5,931.9	5,127.3	5,931.9	5,127.3	-	-
LIABILITIES							
Insurance payables	14	3,440.3	3,087.9	37.6	44.7	3,402.7	3,043.2
Other creditors and interfund balances	15	2,633.1	2,356.3	109.4	153.8	2,523.7	2,202.5
Unexpired risk reserve	17	122.7	121.8	122.7	121.8	-	-
Derivative financial liabilities	24	341.4	188.1	5.6	3.8	335.8	184.3
Income tax		461.7	599.8	206.4	216.3	255.3	383.5
Provision for agents' retirement benefits	7	270.0	258.6	-	-	270.0	258.6
Deferred tax	9	1,136.2	1,011.0	77.9	41.2	1,058.3	969.8
Loan payable to holding company	13	41.2	-	-	-	41.2	-
Debt issued	16	399.4	399.3	399.4	399.3	-	-
General insurance fund	18	221.2	209.2	221.2	209.2	-	-
Life assurance fund	19	50,678.3	47,577.3	-	-	50,678.3	47,577.3
TOTAL EQUITY AND LIABILITIES		65,677.4	60,936.6	7,112.1	6,317.4	58,565.3	54,619.2
ASSETS							
Cash and cash equivalents		3,254.3	3,727.1	569.3	583.6	2,685.0	3,143.5
Other debtors and interfund balances	20	2,314.1	1,934.1	1,628.1	1,401.8	686.0	532.3
Insurance receivables	21	2,676.1	2,604.3	176.7	160.4	2,499.4	2,443.9
Loans	23	1,850.8	1,863.6	24.9	40.6	1,825.9	1,823.0
Derivative financial assets	24	113.4	242.2	0.3	0.9	113.1	241.3
Investments	25	53,077.3	48,106.0	4,628.2	4,013.1	48,449.1	44,092.9
Associates and joint ventures	27	89.5	152.5	38.8	70.1	50.7	82.4
Goodwill	30	33.3	33.6	33.3	33.6	-	-
Investment properties	31	1,632.0	1,561.0	-	-	1,632.0	1,561.0
Property, plant and equipment	32	636.6	712.2	12.5	13.3	624.1	698.9
TOTAL ASSETS		65,677.4	60,936.6	7,112.1	6,317.4	58,565.3	54,619.2

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	
		2014	2013
Share capital	11	152.7	152.7
Reserves			
Merger reserve	12	419.2	419.2
Accumulated profit		1,983.9	1,200.8
TOTAL EQUITY		2,555.8	1,772.7
LIABILITIES			
Other creditors	15	7.8	6.5
Income tax		–	0.1
TOTAL EQUITY AND LIABILITIES		2,563.6	1,779.3
ASSETS			
Cash and cash equivalents		69.8	32.5
Other debtors	20	0.2	–
Amounts due from subsidiaries	22	1,807.2	1,060.5
Subsidiaries	28	686.1	686.1
Property, plant and equipment		0.3	0.2
TOTAL ASSETS		2,563.6	1,779.3

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 2014		152.7	(82.9)	(31.0)	5,038.1	5,076.9	50.4	5,127.3
Profit for the year		-	-	-	878.6	878.6	9.4	888.0
Other comprehensive income								
Exchange differences arising on translation of overseas entities		-	(14.4)	-	-	(14.4)	-	(14.4)
Share of other comprehensive income of associates and joint ventures		-	0.9	0.8	-	1.7	-	1.7
Available-for-sale financial assets:								
Changes in fair value		-	-	259.9	-	259.9	0.5	260.4
Reclassification of realised gain on disposal of investments to Profit and Loss Statement		-	-	(33.0)	-	(33.0)	-	(33.0)
Tax on changes in fair value		-	-	(37.6)	-	(37.6)	-	(37.6)
Other comprehensive income for the year, after tax		-	(13.5)	190.1	-	176.6	0.5	177.1
Total comprehensive income for the year		-	(13.5)	190.1	878.6	1,055.2	9.9	1,065.1
Distributions to shareholders								
Dividends paid during the year:								
Final and special tax exempt (one-tier) dividends for the previous year	40	-	-	-	(213.0)	(213.0)	-	(213.0)
Interim tax exempt (one-tier) dividend	40	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to non-controlling interests		-	-	-	-	-	(0.2)	(0.2)
Total distributions to shareholders		-	-	-	(260.3)	(260.3)	(0.2)	(260.5)
Total transactions with shareholders in their capacity as shareholders		-	-	-	(260.3)	(260.3)	(0.2)	(260.5)
Balance at 31 December 2014		152.7	(96.4)	159.1	5,656.4	5,871.8	60.1	5,931.9

⁽¹⁾ Included in Accumulated Profit are non-distributable reserves of \$1,176.3 million (31 December 2013: \$1,141.7 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 37 for more details.

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			
Balance at 1 January 2013		152.7	(63.7)	41.8	4,666.2	4,797.0	42.5	4,839.5
Profit for the year		-	-	-	674.8	674.8	9.0	683.8
<u>Other comprehensive income</u>								
Exchange differences arising on translation of overseas entities		-	(23.4)	-	-	(23.4)	(0.4)	(23.8)
Share of other comprehensive income of associates and joint ventures		-	4.2	(0.7)	-	3.5	-	3.5
Available-for-sale financial assets:								
Changes in fair value		-	-	(51.3)	-	(51.3)	(0.5)	(51.8)
Reclassification of realised gain on disposal of investments to Profit and Loss Statement		-	-	(35.7)	-	(35.7)	-	(35.7)
Tax on changes in fair value		-	-	14.9	-	14.9	-	14.9
Other comprehensive income for the year, after tax		-	(19.2)	(72.8)	-	(92.0)	(0.9)	(92.9)
Total comprehensive income for the year		-	(19.2)	(72.8)	674.8	582.8	8.1	590.9
<u>Distributions to shareholders</u>								
Dividends paid during the year:								
Final and special tax exempt (one-tier) dividends for the previous year	40	-	-	-	(255.6)	(255.6)	-	(255.6)
Interim tax exempt (one-tier) dividend	40	-	-	-	(47.3)	(47.3)	-	(47.3)
Dividends paid to non-controlling interests		-	-	-	-	-	(4.0)	(4.0)
Total distributions to shareholders		-	-	-	(302.9)	(302.9)	(4.0)	(306.9)
<u>Changes in ownership interests in subsidiaries that do not result in a loss of control</u>								
Changes in non-controlling interests		-	-	-	-	-	3.8	3.8
Total changes in ownership interests in subsidiaries		-	-	-	-	-	3.8	3.8
Total transactions with shareholders in their capacity as shareholders		-	-	-	(302.9)	(302.9)	(0.2)	(303.1)
Balance at 31 December 2013		152.7	(82.9)	(31.0)	5,038.1	5,076.9	50.4	5,127.3

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 2014		152.7	419.2	1,200.8	1,772.7
Profit for the year		-	-	1,043.4	1,043.4
Total comprehensive income for the year		-	-	1,043.4	1,043.4
<u>Distributions to shareholders</u>					
Dividends paid during the year:					
Final and special tax exempt (one-tier) dividends for the previous year	40	-	-	(213.0)	(213.0)
Interim tax exempt (one-tier) dividend	40	-	-	(47.3)	(47.3)
Total distributions to shareholders		-	-	(260.3)	(260.3)
Total transactions with shareholders in their capacity as shareholders		-	-	(260.3)	(260.3)
Balance at 31 December 2014		152.7	419.2	1,983.9	2,555.8
Balance at 1 January 2013		152.7	419.2	1,157.1	1,729.0
Profit for the year		-	-	346.6	346.6
Total comprehensive income for the year		-	-	346.6	346.6
<u>Distributions to shareholders</u>					
Dividends paid during the year:					
Final and special tax exempt (one-tier) dividends for the previous year	40	-	-	(255.6)	(255.6)
Interim tax exempt (one-tier) dividend	40	-	-	(47.3)	(47.3)
Total distributions to shareholders		-	-	(302.9)	(302.9)
Total transactions with shareholders in their capacity as shareholders		-	-	(302.9)	(302.9)
Balance at 31 December 2013		152.7	419.2	1,200.8	1,772.7

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	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		982.4	790.5
Life assurance profit/(loss) before income tax		63.8	(38.0)
General insurance profit before income tax		45.8	34.1
<i>Adjustments for non-cash items:</i>			
Surplus transferred from life assurance fund but not yet withdrawn		(767.8)	(598.7)
Profit transferred from general insurance fund but not yet withdrawn		(37.3)	(25.5)
Share of loss of associates and joint ventures		3.9	13.6
Gain on sale of investments and changes in fair value		(139.1)	(426.7)
Gain on disposal of interest in a joint venture		(31.9)	-
(Decrease)/increase in provision for impairment of assets	6	(37.4)	78.4
Increase in provision for agents' retirement benefits	7	31.2	29.4
Gain on disposal of property, plant and equipment and asset held for sale	8	(0.8)	(0.2)
Depreciation	32	50.7	58.5
Unrealised gain on exchange differences		(483.4)	(359.9)
Change in life assurance contract liabilities	19	3,683.7	2,709.0
Change in general insurance contract liabilities	18	(3.5)	17.0
Change in unexpired risk reserve	17	2.2	(3.6)
Amortisation of capitalised transaction fees		0.1	0.1
Dividend income	4	(467.6)	(433.9)
Interest income	4	(1,645.6)	(1,583.5)
Interest expense		19.6	18.3
Interest expense on policy benefits	8	131.8	114.8
Share-based payments	8	3.4	4.1
		1,404.2	397.8
<i>Changes in working capital:</i>			
Insurance receivables		(55.4)	0.3
Other debtors and interfund balances		(346.2)	5.8
Insurance payables		352.4	296.7
Other creditors and interfund balances		273.2	(135.3)
Cash generated from operations		1,628.2	565.3
Income tax paid		(376.1)	(200.3)
Interest paid on policy benefits		(131.8)	(114.8)
Agents' retirement benefits paid	7	(14.1)	(6.4)
Net cash flows from operating activities		1,106.2	243.8

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	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and sale of investments		19,630.3	19,768.0
Purchase of investments		(22,666.4)	(21,507.2)
Proceeds from reduction of interests in associates		64.8	59.8
Proceeds from disposal of interest in a joint venture		62.8	-
Proceeds from sale of property, plant and equipment and asset held for sale		4.6	3.5
Purchase of property, plant and equipment and investment properties	31, 32	(61.7)	(71.1)
Interest income received		1,597.5	1,560.0
Interest expense paid		(19.4)	(18.3)
Dividends received		460.4	425.9
Net cash flows (used in)/from investing activities		(927.1)	220.6
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	40	(260.3)	(302.9)
Dividends paid to non-controlling interests		(0.2)	(4.0)
Changes in non-controlling interests		-	3.8
Proceeds from loan		41.2	-
Net cash flows used in financing activities		(219.3)	(303.1)
Net effect of currency translation reserve adjustment		(432.6)	(646.8)
Net decrease in cash and cash equivalents		(472.8)	(485.5)
Cash and cash equivalents at the beginning of the year		3,727.1	4,212.6
Cash and cash equivalents at the end of the year		3,254.3	3,727.1
Cash and cash equivalents comprise:			
Cash and bank balances		787.0	566.1
Cash on deposit		2,420.9	2,775.9
Short term instruments		46.4	385.1
		3,254.3	3,727.1

Included in the cash and cash equivalents are bank deposits amounting to \$3.5 million (31 December 2013: \$2.1 million) which are lodged with the regulator as statutory deposits, which are not available for use by the Group.

LIFE ASSURANCE REVENUE STATEMENT

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group	
		2014	2013
Income			
Gross premiums		7,947.5	7,725.0
<i>less:</i> Premiums ceded to reinsurers		139.4	125.0
Net premiums		7,808.1	7,600.0
Commissions received from reinsurers		18.8	17.0
Investment income, net	4	1,863.1	1,791.4
Rental income, net		58.6	54.9
Gain on sale of investments and changes in fair value ⁽¹⁾	5	107.6	372.4
Gain on exchange differences ⁽¹⁾		324.0	236.5
		10,180.2	10,072.2
<i>less: Expenses</i>			
Gross claims, surrenders and annuities		5,394.7	6,213.0
Claims, surrenders and annuities recovered from reinsurers		(85.7)	(78.4)
Commissions and agency expenses		754.1	775.0
(Decrease)/increase in provision for impairment of assets	6	(38.6)	77.6
Management expenses		325.9	323.6
Interest expense		1.3	–
Agents' retirement benefits	7	31.2	29.4
Depreciation	32	47.5	55.3
Change in life assurance fund contract liabilities	19	3,683.7	2,709.0
		10,114.1	10,104.5
Life assurance profit/(loss) before share of loss of associates		66.1	(32.3)
Share of loss after income tax of associates		(2.3)	(5.7)
Life assurance profit/(loss) before income tax		63.8	(38.0)
Income tax	9	(200.5)	(228.5)
Life assurance loss after income tax	19	(136.7)	(266.5)
Retained in life assurance fund		(904.5)	(865.2)
Transferred to Profit and Loss Statement	19	767.8	598.7
		(136.7)	(266.5)

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

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	
		2014	2013
Income			
Gross premiums		262.3	252.5
<i>less:</i>			
Premiums ceded to reinsurers		97.3	90.4
(Decrease)/increase in unexpired risk reserve during the year	17	(1.5)	1.1
Net premiums		166.5	161.0
Commissions received from reinsurers		27.3	28.5
Investment income, net	4	12.5	13.0
Gain on sale of investments and changes in fair value ⁽¹⁾	5	1.5	2.4
Gain on exchange differences ⁽¹⁾		0.1	–
Total income		207.9	204.9
<i>less: Expenses</i>			
Gross claims and changes in loss reserve		124.3	137.6
Claims and changes in loss reserve ceded to reinsurers		(46.7)	(45.0)
Commissions and agency expenses		45.2	43.2
(Decrease)/increase in provision for impairment of assets		(0.1)	0.1
Management expenses		38.1	33.8
Depreciation		1.3	1.1
Total expenses		162.1	170.8
General insurance profit before income tax		45.8	34.1
Income tax		(8.5)	(8.6)
Profit from general insurance transferred to Profit and Loss Statement		37.3	25.5

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

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 Standard ("FRS") and Interpretation 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 with effect from 1 January 2014:

FRS	Title	Effective date (Annual periods beginning on or after)
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
FRS 36	Amendments to FRS 36 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
FRS 39	Amendments to FRS 39 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014

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 with effect from 1 January 2014: (continued)

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

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

FRS 27 was amended to address accounting for subsidiaries, jointly controlled entities and associates in separate financial statements.

FRS 110 establishes a new control model that applies to all entities including special purpose entities. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations.

Prior to the adoption of FRS 110, the Group controls an investee when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. Upon application of FRS 110, the Group has reassessed its investments in accordance with the new definition of control. As a result of the reassessment, the Group concluded that there are no new material investees over which it has control.

2.2.2 FRS not yet effective

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

FRS	Title	Effective date (Annual periods beginning on or after)
FRS 19	Amendments to FRS 19 – Defined Benefit Plans: Employee Contributions	1 July 2014
Various	Improvements to FRSs (January 2014)	1 July 2014
Various	Improvements to FRSs (February 2014)	1 July 2014
FRS 27	Amendments to FRS 27 – Equity Method in Separate Financial Statements	1 January 2016
FRS 16, FRS 38	Amendments to FRS 16 and FRS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 111	Amendments to FRS 111 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 110, FRS 28	Amendments to FRS 110 and FRS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Various	Improvements to FRSs (November 2014)	1 January 2016
FRS 1	Amendments to FRS 1 – Disclosure Initiative	1 January 2016
FRS 110, FRS 112, FRS 28	Amendments to FRS 110, FRS 112 and FRS 28 – Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115	Revenue from Contracts with Customers	1 January 2017
FRS 109	Financial Instruments	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in Accounting Policies (continued)

2.2.2 FRS not yet effective (continued)

The Directors expect that the adoption of the standards above will not have any material impact on the financial statements in the period of initial application, except as disclosed below.

FRS 109 Financial Instruments

In 2014, FRS 109 was issued to reflect all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The Standard introduces new requirements for classification and measurement, impairment and hedge accounting.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption. The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2.3 Basis of Consolidation and Business Combinations

2.3.1 Basis of Consolidation

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.

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 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 profit or loss.

The Group elects for each individual business combination, whether a non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, 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. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

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 2.24. 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.

2.4 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.5 Joint Arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Joint Arrangements (continued)

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interests in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in a joint venture is set out in Note 2.6.

2.6 Associates and Joint Ventures

Associates are entities over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investment in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, an excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, investments in associates or 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 or joint ventures. The profit or loss reflects the share of results of operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. 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 associates or joint ventures are eliminated to the extent of the interest in the associates or joint ventures.

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 the end of each reporting period 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Associates and Joint Ventures (continued)

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures the retained investment at fair value. Any difference between the fair value of the aggregate of the retained interest and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

If the Group's ownership interest in an associate or a joint venture is reduced, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

2.7 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 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.

2.8 Foreign Currency Conversion and Translation

2.8.1 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.

2.8.2 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 was measured.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Foreign Currency Conversion and Translation (continued)

2.8.3 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.

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.

2.9 Insurance Contracts

2.9.1 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.1 Product Classification (continued)

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.

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.

2.9.2 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.

2.9.3 Deferred Acquisition Costs

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.4 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.4 Life Assurance Contract Liabilities (continued)

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.

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) 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 an 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)

2.9 Insurance Contracts (continued)

2.9.4 Life Assurance Contract Liabilities (continued)

TABLE 2.9 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	<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><i>Data source: MAS website and Bloomberg</i></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><i>Data source: Bond Pricing Agency Malaysia</i></p>
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders	<p>Best estimates plus provision for adverse deviation (PADs).</p> <p><i>Data source: internal experience studies</i></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><i>Data source: internal experience studies</i></p>

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Insurance Contracts (continued)

2.9.5 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 Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method and the Loss Ratio Method.

2.9.6 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)

2.9 Insurance Contracts (continued)

2.9.6 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.

2.10 Profit from Insurance Funds

Profit derived from the insurance funds is categorised as follows:

2.10.1 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.

2.10.2 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.

2.10.3 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)

2.10 Profit from Insurance Funds (continued)

2.10.4 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.

2.11 Recognition of Income and Expense

2.11.1 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, universal life and certain Takaful Non-participating products 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.

2.11.2 Interest Income

Interest income is recognised using the effective interest method.

2.11.3 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.

2.11.4 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)

2.11 Recognition of Income and Expense (continued)

2.11.5 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.

2.11.6 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 of disposal 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.

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

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 previously. Such reversal is recognised in the Revenue Statements or Profit and Loss Statement. Unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11.7 Impairment of Financial Assets

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Recognition of Income and Expense (continued)

2.11.7 Impairment of Financial Assets (continued)

(a) Financial assets carried at amortised cost (continued)

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 the impaired financial asset 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.

(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 the 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Recognition of Income and Expense (continued)

2.11.7 Impairment of Financial Assets (continued)

(c) Available-for-sale financial assets (continued)

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 the Revenue Statements or Profit and Loss Statement.

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.

2.11.8 Fees and Other Income

Fees and other income comprise mainly 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.

2.11.9 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Recognition of Income and Expense (continued)

2.11.9 Employee Benefits (continued)

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)

2.11 Recognition of Income and Expense (continued)

2.11.10 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 2.11.4.

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.

2.12 Taxes

2.12.1 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.

2.12.2 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)

2.12 Taxes (continued)

2.12.2 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 insurance funds 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)

2.12 Taxes (continued)

2.12.3 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.

2.13 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 the end of each reporting period 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.

2.14 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.

2.15 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.

2.16 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)

2.17 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.

2.18 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 Note 2.19 has been met.

2.19 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:

2.19.1 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 classified as held for trading are derivatives, financial instruments with embedded derivatives or assets acquired principally for the purpose of selling in the short term and which 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 the Insurance Funds or Profit and Loss Statement.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial Assets (continued)

2.19.2 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 the Insurance Funds and Profit and Loss Statement when the loans and receivables are derecognised or impaired, and through the amortisation process.

2.19.3 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)

2.20 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.

2.21 Financial Liabilities

Initial recognition and measurement

Financial liabilities 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:

2.21.1 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 are classified as held for trading if they are acquired for the purpose of selling in the near term and include 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)

2.21 Financial Liabilities (continued)

2.21.2 Financial Liabilities at Amortised Cost

After initial recognition, other financial liabilities that are not carried at fair value through profit or loss 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.

2.22 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.23 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)

2.24 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 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 operation disposed of and the portion of the cash-generating unit retained.

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.

2.25 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.

2.26 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Property, Plant and Equipment (continued)

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.

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.

2.27 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Investment Properties (continued)

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 2.26 up to the date of change in use.

2.28 Provision for Agents' Retirement Benefits

Provision for agents' retirement benefits is set aside for agents of 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.

2.29 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 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 36, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 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.

2.32 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.

2.33 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.

2.33.1 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Critical Accounting Estimates and Judgments (continued)

2.33.1 Critical Accounting Estimates and Assumptions (continued)

(a) Liabilities of insurance business (continued)

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 2014 amounted to \$46,974.2 million (31 December 2013: \$43,634.0 million).

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 2014 amounted to \$124.3 million (31 December 2013: \$129.5 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 33.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Critical Accounting Estimates and Judgments (continued)

2.33.1 Critical Accounting Estimates and Assumptions (continued)

(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 2014 amounted to \$1,597.9 million (31 December 2013: \$1,610.8 million).

(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 2014 amounted to \$270.0 million (31 December 2013: \$258.6 million).

2.33.2 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 2.24. 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 30.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.33 Critical Accounting Estimates and Judgments (continued)

2.33.2 Critical Judgments in Applying Accounting Policies (continued)

(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.

(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 AND ASSOCIATES

	Country of Incorporation	Principal Activities	Effective interest held by GEH	
			2014 %	2013 %
(i) SIGNIFICANT SUBSIDIARIES				
Held by the Company				
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
Held through subsidiaries				
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 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 investment	100.0	100.0
Great Eastern Takaful Bhd ^(3.2)	Malaysia	Family Takaful business	70.0	70.0
(ii) SIGNIFICANT ASSOCIATES				
Held through subsidiaries				
Fairfield Investment Fund Ltd ^(3.4)	British Virgin Islands	Collective investment scheme	45.8	45.8
Ascendas China Commercial Fund ^(3.5)	Singapore	Real Estate Investment Trust	-	28.5
Lion Indian Real Estate Fund ^(3.3)	Cayman Islands	Real Estate Investment Trust	45.5	45.5
Great Eastern Life Assurance (China) Company Limited ^{(3.3) & (3.6)}	People's Republic of China	Life assurance	25.0	50.0

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

^(3.2) Audited by member firms of EY Global in the respective countries.

^(3.3) Audited by PricewaterhouseCoopers.

^(3.4) Currently under liquidation.

^(3.5) During the year, the Group's interests in the fund were fully redeemed.

^(3.6) During the year, the Group disposed part of its interests in the company and ceased to account for it as a joint venture but as an associate instead.

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT INCOME, NET

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2014	2013	2014	2013	2014	2013	2014	2013
4.1 Profit and Loss Statements									
Dividend income									
– Investments									
Available-for-sale financial assets									
		58.3	40.4	58.3	40.4	-	-	-	-
		58.3	40.4	58.3	40.4	-	-	-	-
Interest income									
– Investments									
Available-for-sale financial assets									
		70.4	66.6	70.4	66.6	-	-	-	-
Financial assets at fair value through profit and loss statements									
		1.6	1.7	1.6	1.7	-	-	-	-
– Loans and receivables									
		3.5	4.7	3.5	4.7	-	-	-	-
		75.5	73.0	75.5	73.0	-	-	-	-
		133.8	113.4	133.8	113.4	-	-	-	-
less: Investment related expenses									
		(1.3)	(1.4)	(1.3)	(1.4)	-	-	-	-
		132.5	112.0	132.5	112.0	-	-	-	-

4.2 Life Assurance Revenue Statement

Dividend income									
– Investments									
Available-for-sale financial assets									
		348.2	315.7	-	-	348.2	315.7	-	-
Financial assets at fair value through profit and loss statements									
		60.6	77.2	-	-	60.6	77.2	-	-
		408.8	392.9	-	-	408.8	392.9	-	-
Interest income									
– Investments									
Available-for-sale financial assets									
		1,162.5	1,115.8	-	-	1,162.5	1,115.8	-	-
Financial assets at fair value through profit and loss statements									
		126.2	131.9	-	-	126.2	131.9	-	-
– Loans and receivables									
		269.1	250.1	-	-	269.1	250.1	-	-
		1,557.8	1,497.8	-	-	1,557.8	1,497.8	-	-
		1,966.6	1,890.7	-	-	1,966.6	1,890.7	-	-
less: Investment related expenses									
		(103.5)	(99.3)	-	-	(103.5)	(99.3)	-	-
		1,863.1	1,791.4	-	-	1,863.1	1,791.4	-	-

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT INCOME, NET (CONTINUED)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
4.3 General Insurance Revenue Statement									
Dividend income									
– Investments									
Available-for-sale financial assets									
		0.5	0.6	0.5	0.6	–	–	–	–
		0.5	0.6	0.5	0.6	–	–	–	–
Interest income									
– Investments									
Available-for-sale financial assets									
		11.4	11.6	11.4	11.6	–	–	–	–
Financial assets at fair value through profit and loss statements									
		0.5	0.6	0.5	0.6	–	–	–	–
– Loans and receivables									
		0.4	0.5	0.4	0.5	–	–	–	–
		12.3	12.7	12.3	12.7	–	–	–	–
		12.8	13.3	12.8	13.3	–	–	–	–
<i>less: Investment related expenses</i>									
		(0.3)	(0.3)	(0.3)	(0.3)	–	–	–	–
		12.5	13.0	12.5	13.0	–	–	–	–

During the year ended 31 December 2014, the total dividend and interest income for financial assets that are not classified at fair value through profit and loss amounted to \$132.2 million, \$1,779.8 million and \$12.3 million for the Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement respectively (2013: \$111.7 million, \$1,681.6 million and \$12.7 million).

5 GAIN ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
5.1 Profit and Loss Statements									
Realised gain from sale of investments ⁽¹⁾									
		5.5	3.4	5.5	3.4	–	–	–	–
Amount transferred from Statement of Comprehensive Income on sale of investments									
		33.0	35.7	33.0	35.7	–	–	–	–
Changes in fair value of held-for-trading investments ⁽¹⁾									
		(7.7)	13.0	(7.7)	13.0	–	–	–	–
		30.8	52.1	30.8	52.1	–	–	–	–

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

NOTES TO THE FINANCIAL STATEMENTS

5 GAIN 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		2014	2013
		2014	2013	2014	2013	2014	2013		
5.2 Life Assurance Revenue Statement									
Realised gain from sale of investments ⁽¹⁾		58.9	33.6	-	-	58.9	33.6	-	-
Amount transferred from Fair Value Reserve on sale of investments	19	223.1	403.1	-	-	223.1	403.1	-	-
Changes in fair value of investments ⁽¹⁾									
- fair value through revenue statement		126.9	308.4	-	-	126.9	308.4	-	-
- held-for-trading		(296.7)	(405.2)	-	-	(296.7)	(405.2)	-	-
		(169.8)	(96.8)	-	-	(169.8)	(96.8)	-	-
Changes in fair value of investment properties	31	(4.6)	32.5	-	-	(4.6)	32.5	-	-
		107.6	372.4	-	-	107.6	372.4	-	-

5.3 General Insurance Revenue Statement

Realised gain from sale of investments ⁽¹⁾		1.1	2.6	1.1	2.6	-	-	-	-
Amount transferred from Fair Value Reserve on sale of investments	18	0.3	0.5	0.3	0.5	-	-	-	-
Changes in fair value of held-for-trading investments ⁽¹⁾		0.1	(0.7)	0.1	(0.7)	-	-	-	-
		1.5	2.4	1.5	2.4	-	-	-	-

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

6 PROVISIONS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
6.1 Provision for impairment of secured loans									
Balance at the beginning and end of the year	23	2.1	2.1	2.1	2.1	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

6 PROVISIONS (CONTINUED)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
6.2 Provision for impairment of quoted equity securities									
Balance at the beginning of the year		41.7	53.9	1.7	1.6	40.0	52.3	-	-
Increase in provision for the year		-	2.8	-	0.1	-	2.7	-	-
Utilised during the year		(6.9)	(14.9)	-	-	(6.9)	(14.9)	-	-
Currency translation reserve adjustment		-	(0.1)	-	-	-	(0.1)	-	-
Balance at the end of the year	25	34.8	41.7	1.7	1.7	33.1	40.0	-	-
6.3 Provision for impairment of unquoted equity securities									
Balance at the beginning of the year		28.2	34.3	-	-	28.2	34.3	-	-
Increase in provision for the year		-	0.1	-	-	-	0.1	-	-
Utilised during the year		(0.4)	(5.7)	-	-	(0.4)	(5.7)	-	-
Currency translation reserve adjustment		(0.2)	(0.5)	-	-	(0.2)	(0.5)	-	-
Balance at the end of the year	25	27.6	28.2	-	-	27.6	28.2	-	-
6.4 Provision for impairment of quoted debt securities									
Balance at the beginning of the year		0.2	0.2	-	-	0.2	0.2	-	-
Utilised during the year		(0.2)	-	-	-	(0.2)	-	-	-
Balance at the end of the year	25	-	0.2	-	-	-	0.2	-	-
6.5 Provision for impairment of unquoted debt securities									
Balance at the beginning of the year		49.2	2.8	3.5	2.8	45.7	-	-	-
Increase in provision for the year		0.7	46.4	0.7	0.7	-	45.7	-	-
Reversal of provision during the year		(46.3)	-	(0.1)	-	(46.2)	-	-	-
Currency translation reserve adjustment		0.5	-	-	-	0.5	-	-	-
Balance at the end of the year	25	4.1	49.2	4.1	3.5	-	45.7	-	-

NOTES TO THE FINANCIAL STATEMENTS

6 PROVISIONS (CONTINUED)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
6.6 Provision for impairment of collective investment schemes									
Balance at the beginning of the year		30.8	3.2	0.8	1.0	30.0	2.2	-	-
Increase in provision for the year		8.2	29.1	0.6	-	7.6	29.1	-	-
Utilised during the year		(0.6)	(1.5)	-	(0.2)	(0.6)	(1.3)	-	-
Balance at the end of the year	25	38.4	30.8	1.4	0.8	37.0	30.0	-	-
6.7 Provision for impairment of unsecured loan to subsidiary companies									
Balance at the beginning and end of the year	22	-	-	-	-	-	-	7.0	7.0
(Decrease)/increase in provision for impairment of assets for the year		(37.4)	78.4	1.2	0.8	(38.6)	77.6	-	-

7 PROVISION FOR AGENTS' RETIREMENT BENEFITS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
Balance at the beginning of the year		258.6	245.2	-	-	258.6	245.2	-	-
Currency translation reserve adjustment		(5.7)	(9.6)	-	-	(5.7)	(9.6)	-	-
Increase in provision for the year		31.2	29.4	-	-	31.2	29.4	-	-
Paid during the year		(14.1)	(6.4)	-	-	(14.1)	(6.4)	-	-
Balance at the end of the year		270.0	258.6	-	-	270.0	258.6	-	-

As at 31 December 2014, \$73.2 million (2013: \$69.6 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		2014	2013
		2014	2013	2014	2013	2014	2013		
Fees paid to auditors		2.1	2.0	0.9	0.8	1.2	1.2	0.2	0.2
Audit fees paid to Auditor of the Company		1.3	0.9	0.4	0.5	0.9	0.4	0.2	0.2
Audit fees paid to other auditors		0.5	0.6	0.3	0.2	0.2	0.4	-	-
Non-audit fees paid to Auditor of the Company		0.2	0.3	0.1	0.1	0.1	0.2	-	-
Non-audit fees paid to other auditors		0.1	0.2	0.1	-	-	0.2	-	-
Staff costs and related expenses (including executive directors and key management personnel compensation)		278.5	267.8	101.4	96.2	177.1	171.6	1.5	1.3
Salaries, wages, bonuses and other costs		249.2	239.0	91.6	86.7	157.6	152.3	1.4	1.2
Central Provident Fund / Employee Provident Fund		25.9	24.7	7.2	6.7	18.7	18.0	0.1	0.1
Share-based payments		3.4	4.1	2.6	2.8	0.8	1.3	-	-
Rental expense		23.5	22.6	8.9	8.5	14.6	14.1	0.3	0.3
Fee income		70.9	68.9	70.9	68.9	-	-	-	-
Fund management fee		70.2	68.5	70.2	68.5	-	-	-	-
Financial advisory fee		0.7	0.4	0.7	0.4	-	-	-	-
Gain on disposal of property, plant and equipment and asset held for sale		(0.8)	(0.2)	-	(0.2)	(0.8)	-	-	-
Property, plant and equipment		(0.8)	-	-	-	(0.8)	-	-	-
Assets held for sale		-	(0.2)	-	(0.2)	-	-	-	-
Depreciation		50.7	58.5	3.2	3.2	47.5	55.3	-	-
Interest expense on policy benefits		131.8	114.8	-	-	131.8	114.8	-	-

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013	2014	2013
Profit and Loss or Revenue Statements:									
Current income tax:									
- Current income taxation		280.3	354.4	114.3	118.4	166.0	236.0	-	-
- Over provision in respect of previous years		(42.3)	(42.1)	(11.8)	(0.4)	(30.5)	(41.7)	-	-
		238.0	312.3	102.5	118.0	135.5	194.3	-	-
Deferred income tax:									
- Origination and reversal of temporary differences		65.4	31.5	0.4	(2.7)	65.0	34.2	-	-
		65.4	31.5	0.4	(2.7)	65.0	34.2	-	-
Total tax charge for the year recognised in Profit and Loss or Revenue Statements		303.4	343.8	102.9	115.3	200.5	228.5	-	-
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		(37.6)	14.9	(37.6)	14.9	-	-	-	-
- insurance funds	18, 19	(28.3)	62.3	-	1.7	(28.3)	60.6	-	-

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 2014 and 2013 is as follows:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013	2014	2013
Profit before income tax		984.0	798.4	984.0	798.4	-	-	1,043.4	346.6
General insurance profit before income tax		45.8	34.1	45.8	34.1	-	-	-	-
Life assurance profit/(loss) before income tax		63.8	(38.0)	-	-	63.8	(38.0)	-	-
Tax at the domestic rates applicable to profits in the countries where the Group operates		213.5	227.9	205.6	170.7	7.9	57.2	177.4	58.9
<u>Adjustments:</u>									
Tax effect of net surplus transferred to Shareholders' Fund		(75.9)	(42.6)	(75.9)	(42.6)	-	-	-	-
Tax effect of provision against future policyholders' bonus		75.4	32.0	-	-	75.4	32.0	-	-
Foreign tax paid not recoverable		18.7	15.4	5.0	2.5	13.7	12.9	-	-
Permanent differences		380.7	409.8	(0.5)	4.7	381.2	405.1	2.0	1.8
Tax exempt income		(269.5)	(259.8)	(20.7)	(21.0)	(248.8)	(238.8)	(179.4)	(60.7)
Deferred tax assets not recognised		2.8	3.2	1.2	1.4	1.6	1.8	-	-
Over provision in respect of previous years		(42.3)	(42.1)	(11.8)	(0.4)	(30.5)	(41.7)	-	-
Income tax expense recognised in the Profit and Loss or Revenue Statements		303.4	343.8	102.9	115.3	200.5	228.5	-	-

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

Deferred Tax

Balance at the beginning of the year	1,011.0	1,069.9	41.2	62.5	969.8	1,007.4	-	-
Currency translation reserve adjustments	(6.1)	(13.2)	(1.3)	(2.0)	(4.8)	(11.2)	-	-
Deferred tax charge taken to Profit and Loss or Revenue Statements:								
Other temporary differences	5.4	6.4	0.3	(2.2)	5.1	8.6	-	-
Fair value changes	(15.4)	(6.9)	0.1	(0.5)	(15.5)	(6.4)	-	-
Provision against future policyholders' bonus	75.4	32.0	-	-	75.4	32.0	-	-
Deferred tax on fair value changes on available-for-sale investments	65.9	(77.2)	37.6	(16.6)	28.3	(60.6)	-	-
Balance at the end of the year	1,136.2	1,011.0	77.9	41.2	1,058.3	969.8	-	-

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		2014	2013
		2014	2013	2014	2013	2014	2013	2014	2013
Deferred taxes at 31 December related to the following:									
Balance Sheets									
<u>Deferred tax liabilities:</u>									
Differences in depreciation for tax purposes		9.2	8.0	0.4	0.5	8.8	7.5	-	-
Accrued investment income		0.9	0.6	0.3	0.2	0.6	0.4	-	-
Net unrealised gains on investments		238.8	195.6	35.1	-	203.7	195.6	-	-
Net accretion on fixed income investments		14.2	11.8	-	-	14.2	11.8	-	-
Undistributed bonus to policyholders		840.4	764.6	-	-	840.4	764.6	-	-
Differences in insurance items		47.9	48.8	47.9	48.8	-	-	-	-
Deferred tax liabilities		1,151.4	1,029.4	83.7	49.5	1,067.7	979.9	-	-
<u>Deferred tax assets:</u>									
Net unrealised loss on investments		0.6	2.9	0.6	2.4	-	0.5	-	-
Unutilised tax losses carried forward		2.0	3.0	-	0.3	2.0	2.7	-	-
Net amortisation on fixed income investments		11.8	10.7	4.4	3.8	7.4	6.9	-	-
Other accruals and provisions		0.8	1.8	0.8	1.8	-	-	-	-
Deferred tax assets		15.2	18.4	5.8	8.3	9.4	10.1	-	-
Net deferred tax liabilities		1,136.2	1,011.0	77.9	41.2	1,058.3	969.8	-	-
Profit and Loss Statements and Revenue Statements									
<u>Deferred tax liabilities:</u>									
Differences in depreciation for tax purposes		1.2	0.4	(0.1)	(0.2)	1.3	0.6	-	-
Accrued investment income		0.3	(0.4)	0.1	0.1	0.2	(0.5)	-	-
Net unrealised gains on investments		7.8	2.4	(0.3)	-	8.1	2.4	-	-
Net accretion on fixed income investments		2.4	0.8	-	(0.1)	2.4	0.9	-	-
Undistributed bonus to policyholders	19	75.4	32.0	-	-	75.4	32.0	-	-
<u>Deferred tax assets:</u>									
Net unrealised loss on investments		(22.6)	(1.4)	-	(0.9)	(22.6)	(0.5)	-	-
Unutilised tax losses carried forward		1.0	(3.0)	0.3	(0.3)	0.7	(2.7)	-	-
Net amortisation on fixed income investments		(1.1)	(0.9)	(0.6)	(0.5)	(0.5)	(0.4)	-	-
Other accruals and provisions		1.0	1.6	1.0	(0.8)	-	2.4	-	-
Deferred tax expense/(benefit)		65.4	31.5	0.4	(2.7)	65.0	34.2	-	-

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately \$24.1 million (2013: \$24.1 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.

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	
	2014	2013
Profit attributable to ordinary shareholders for computation of basic and diluted earnings per share (in millions of Singapore Dollars)	878.6	674.8
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)	\$1.86	\$1.43

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			
	2014		2013	
	Number of shares	Amount \$'mil	Number of shares	Amount \$'mil
Ordinary shares: Issued and fully paid				
Balance at the beginning and 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.

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 2014, non-distributable reserves of \$1,176.3 million (2013: \$1,141.7 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 37 for more details.

13 LOAN PAYABLE TO HOLDING COMPANY

in Singapore Dollars (millions)	Maturity	Group	
		2014	2013
Current:			
- SGD loan at Swap Offer Rate +1.15% p.a.	2 April 2015	41.2	-
		41.2	-

The loan is fully repayable on 2 April 2015 and is secured by a mortgage over an investment property (Note 31), and charges by way of a debenture and assignments of relevant construction contracts, performance bonds, insurance contracts, sale and purchase agreements and lease agreements.

NOTES TO THE FINANCIAL STATEMENTS

14 INSURANCE PAYABLES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
Claims admitted or intimated		215.1	209.4	-	-	215.1	209.4	-	-
Policy benefits		3,139.2	2,789.7	-	-	3,139.2	2,789.7	-	-
Reinsurance liabilities		86.0	88.8	37.6	44.7	48.4	44.1	-	-
		3,440.3	3,087.9	37.6	44.7	3,402.7	3,043.2	-	-

Policy benefits bear interest at 3% per annum (2013: 3% per annum) for the Group's insurance subsidiaries in Singapore and at 5% per annum (2013: 5% per annum) for the Group's insurance subsidiaries in Malaysia.

15 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		2014	2013
		2014	2013	2014	2013	2014	2013		
Financial Liabilities:									
Accrued expenses and other creditors		816.4	794.5	73.5	126.8	742.9	667.7	7.8	6.5
Investment creditors		314.8	230.2	17.2	6.3	297.6	223.9	-	-
Interest payable		9.2	9.2	9.2	9.2	-	-	-	-
Amount due to holding company ⁽¹⁾		3.1	3.7	2.9	3.7	0.2	-	-	-
Interfund balances		1,454.6	1,278.0	-	-	1,454.6	1,278.0	-	-
		2,598.1	2,315.6	102.8	146.0	2,495.3	2,169.6	7.8	6.5
Non Financial Liabilities:									
Premiums in suspense		35.0	40.7	6.6	7.8	28.4	32.9	-	-
		2,633.1	2,356.3	109.4	153.8	2,523.7	2,202.5	7.8	6.5

⁽¹⁾ Amount due to holding company is non-trade related, unsecured, interest-free, repayable upon demand and is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

16 DEBT ISSUED

in Singapore Dollars (millions)	Issue Date	Maturity Date	Group	
			2014	2013
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	399.4	399.3
			399.4	399.3

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.

17 UNEXPIRED RISK RESERVE

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Balance at the beginning of the year		80.0	80.8	80.0	80.8	-	-
Currency translation reserve adjustment		(0.9)	(1.9)	(0.9)	(1.9)	-	-
Increase/(decrease) in unexpired risk reserve during the year, gross		2.2	(3.6)	2.2	(3.6)	-	-
Movement in reinsurers' share of unexpired risk reserve during the year		(3.7)	4.7	(3.7)	4.7	-	-
Balance at the end of the year		77.6	80.0	77.6	80.0	-	-
Unexpired risk reserve, gross		122.7	121.8	122.7	121.8	-	-
Reinsurers' share of unexpired risk reserve	21	(45.1)	(41.8)	(45.1)	(41.8)	-	-
Unexpired risk reserve, net		77.6	80.0	77.6	80.0	-	-

NOTES TO THE FINANCIAL STATEMENTS

18 GENERAL INSURANCE FUND

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Balance at the beginning of the year		130.5	123.0	130.5	123.0	-	-
Currency translation reserve adjustment		(1.7)	(3.5)	(1.7)	(3.5)	-	-
Fair value reserve movement		0.4	(6.0)	0.4	(6.0)	-	-
Increase in loss reserve during the year, gross		10.5	32.9	10.5	32.9	-	-
Movement in reinsurers' share of loss reserve during the year		(14.0)	(15.9)	(14.0)	(15.9)	-	-
Balance at the end of the year		125.7	130.5	125.7	130.5	-	-
General Insurance Fund comprises:							
General Insurance Fund Contract Liabilities, net		124.3	129.5	124.3	129.5	-	-
Reinsurers' share of loss reserve	21	95.5	78.7	95.5	78.7	-	-
General Insurance Fund Contract Liabilities, gross		219.8	208.2	219.8	208.2	-	-
Fair Value Reserve		1.4	1.0	1.4	1.0	-	-
		221.2	209.2	221.2	209.2	-	-
<i>Represented by:</i>							
<u>General Insurance Fund Contract Liabilities</u>							
Balance at the beginning of the year		129.5	115.9	129.5	115.9	-	-
Currency translation reserve adjustment		(1.7)	(3.4)	(1.7)	(3.4)	-	-
Increase in loss reserve during the year, gross		10.5	32.9	10.5	32.9	-	-
Movement in reinsurers' share of loss reserve during the year		(14.0)	(15.9)	(14.0)	(15.9)	-	-
Balance at the end of the year		124.3	129.5	124.3	129.5	-	-
<u>Fair Value Reserve ⁽¹⁾</u>							
Balance at the beginning of the year		1.0	7.1	1.0	7.1	-	-
Currency translation reserve adjustment		-	(0.1)	-	(0.1)	-	-
Fair value changes on remeasuring available-for-sale investments		0.7	(7.2)	0.7	(7.2)	-	-
Transfer of fair value reserve to General Insurance Revenue Statement on sale of investments	5	(0.3)	(0.5)	(0.3)	(0.5)	-	-
Deferred tax on fair value changes	9	-	1.7	-	1.7	-	-
Balance at the end of the year		1.4	1.0	1.4	1.0	-	-

⁽¹⁾ The above fair value reserve is deemed equity of General Insurance Fund.

NOTES TO THE FINANCIAL STATEMENTS

19 LIFE ASSURANCE FUND

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Balance at the beginning of the year		47,577.3	47,057.9	-	-	47,577.3	47,057.9
Currency translation reserve adjustment		(412.5)	(795.2)	-	-	(412.5)	(795.2)
Fair value reserve movement		734.3	(529.2)	-	-	734.3	(529.2)
Change in life assurance fund contract liabilities							
- Due to assumptions change		148.1	12.7	-	-	148.1	12.7
- Due to change in discount rate		178.8	(726.0)	-	-	178.8	(726.0)
- Due to movement during the year		3,432.2	3,454.3	-	-	3,432.2	3,454.3
Provision for deferred tax on future policyholders' bonus	9	(75.4)	(32.0)	-	-	(75.4)	(32.0)
Transferred from Life Assurance Revenue Statement		(136.7)	(266.5)	-	-	(136.7)	(266.5)
Transferred to Profit and Loss Statement		(767.8)	(598.7)	-	-	(767.8)	(598.7)
Balance at the end of the year		50,678.3	47,577.3	-	-	50,678.3	47,577.3

Represented by:

Life Assurance Fund Contract Liabilities

Balance at the beginning of the year		43,634.0	41,543.8	-	-	43,634.0	41,543.8
Currency translation reserve adjustment		(343.5)	(618.8)	-	-	(343.5)	(618.8)
Change in life assurance fund contract liabilities							
- Due to assumptions change		148.1	12.7	-	-	148.1	12.7
- Due to change in discount rate		178.8	(726.0)	-	-	178.8	(726.0)
- Due to movement during the year		3,432.2	3,454.3	-	-	3,432.2	3,454.3
Provision for deferred tax on future policyholders' bonus	9	(75.4)	(32.0)	-	-	(75.4)	(32.0)
Balance at the end of the year		46,974.2	43,634.0	-	-	46,974.2	43,634.0

Life assurance fund contract liabilities at 31 December comprised the following:

Contracts with Discretionary Participating Features ("DPF")		37,464.8	34,789.3	-	-	37,464.8	34,789.3
Contracts without Discretionary Participating Features ("DPF")		4,404.3	4,054.3	-	-	4,404.3	4,054.3
Investment-linked contracts		5,105.1	4,790.4	-	-	5,105.1	4,790.4
		46,974.2	43,634.0	-	-	46,974.2	43,634.0

NOTES TO THE FINANCIAL STATEMENTS

19 LIFE ASSURANCE FUND (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
<u>Unallocated Surplus</u>							
Balance at the beginning of the year		1,497.1	2,462.1	-	-	1,497.1	2,462.1
Currency translation reserve adjustment		(33.7)	(99.8)	-	-	(33.7)	(99.8)
Transferred from Life Assurance Revenue Statement		(136.7)	(266.5)	-	-	(136.7)	(266.5)
Transferred to Profit and Loss Statement		(767.8)	(598.7)	-	-	(767.8)	(598.7)
Balance at the end of the year		558.9	1,497.1	-	-	558.9	1,497.1
<u>Fair Value Reserve ⁽¹⁾</u>							
Balance at the beginning of the year		2,446.2	3,052.0	-	-	2,446.2	3,052.0
Currency translation reserve adjustment		(35.3)	(76.6)	-	-	(35.3)	(76.6)
Fair value changes on remeasuring available-for-sale investments		985.7	(186.7)	-	-	985.7	(186.7)
Transfer of fair value reserve to Life Assurance Revenue Statement on sale of investments	5	(223.1)	(403.1)	-	-	(223.1)	(403.1)
Deferred tax on fair value changes	9	(28.3)	60.6	-	-	(28.3)	60.6
Balance at the end of the year		3,145.2	2,446.2	-	-	3,145.2	2,446.2

⁽¹⁾ The above fair value reserve is deemed equity of Life Assurance Fund.

As at 31 December 2014, \$230.6 million (2013: \$4.4 million) of the life fund fair value reserves pertains to the Life Insurance Non-Participating Fund. This arose as a result of the life fund investments being classified as available-for-sale under FRS. As mentioned in Note 2.1, insurance fund profit that is transferred to the Profit and Loss Statement is determined in accordance with the Insurance Regulations of the respective jurisdictions. Under the Insurance Regulations, investments are carried at market value or net realisable value. As such, the Non-Participating Fund profit recognised in the Profit and Loss Statement includes the changes in the fair value of the Non-Participating Fund investments and the fair value reserves of the Non-Participating Fund that are not distributable to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

20 OTHER DEBTORS AND INTERFUND BALANCES

Other debtors and interfund balances comprise the following:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
Financial Assets:									
Accrued interest and dividend receivable		434.2	400.4	29.5	23.9	404.7	376.5	-	-
Investment debtors		260.8	97.6	52.6	17.6	208.2	80.0	-	-
Other receivables		50.0	41.0	6.6	4.4	43.4	36.6	-	-
Deposits collected		3.3	4.5	0.8	1.1	2.5	3.4	-	-
Interfund balances		1,454.6	1,278.0	1,454.6	1,278.0	-	-	-	-
	23	2,202.9	1,821.5	1,544.1	1,325.0	658.8	496.5	-	-
Non-Financial Assets:									
Prepayments and others		111.2	112.6	84.0	76.8	27.2	35.8	0.2	-
		2,314.1	1,934.1	1,628.1	1,401.8	686.0	532.3	0.2	-

21 INSURANCE RECEIVABLES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
Due from policyholders:									
Outstanding premiums		236.3	224.3	34.0	33.6	202.3	190.7	-	-
Policy loans		2,288.8	2,249.5	-	-	2,288.8	2,249.5	-	-
Due from reinsurers:									
Reinsurance assets		151.0	130.5	142.7	126.8	8.3	3.7	-	-
	23	2,676.1	2,604.3	176.7	160.4	2,499.4	2,443.9	-	-
Reinsurance assets comprise the following:									
Unexpired risk reserve	17	45.1	41.8	45.1	41.8	-	-	-	-
Loss reserve	18	95.5	78.7	95.5	78.7	-	-	-	-
Amounts due from reinsurers		10.4	10.0	2.1	6.3	8.3	3.7	-	-
Total assets arising from reinsurance contracts		151.0	130.5	142.7	126.8	8.3	3.7	-	-

NOTES TO THE FINANCIAL STATEMENTS

22 AMOUNTS DUE FROM SUBSIDIARIES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
Amounts due from subsidiaries		-	-	-	-	-	-	1,805.1	1,058.4
Loans to subsidiaries		-	-	-	-	-	-	9.1	9.1
Provision for impairment of unsecured loan to subsidiary	6	-	-	-	-	-	-	(7.0)	(7.0)
	23	-	-	-	-	-	-	1,807.2	1,060.5

The amounts due from subsidiaries and loans to subsidiaries are non-trade related, unsecured, interest-free, repayable on demand and are to be settled in cash.

23 LOANS AND RECEIVABLES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
Loans comprise the following:									
Secured loans		1,852.8	1,864.7	27.0	42.7	1,825.8	1,822.0	-	-
Unsecured loans		0.1	1.0	-	-	0.1	1.0	-	-
		1,852.9	1,865.7	27.0	42.7	1,825.9	1,823.0	-	-
less: Provision for impairment of secured loans	6	2.1	2.1	2.1	2.1	-	-	-	-
		1,850.8	1,863.6	24.9	40.6	1,825.9	1,823.0	-	-

If loans were carried at fair value, the carrying amounts would be as follows:

Loans		1,866.5	1,883.8	25.2	41.0	1,841.3	1,842.8	-	-
Loans and receivables:									
Cash and cash equivalents		3,254.3	3,727.1	569.3	583.6	2,685.0	3,143.5	69.8	32.5
Other debtors and interfund balances	20	2,202.9	1,821.5	1,544.1	1,325.0	658.8	496.5	-	-
Insurance receivables	21	2,676.1	2,604.3	176.7	160.4	2,499.4	2,443.9	-	-
Loans		1,850.8	1,863.6	24.9	40.6	1,825.9	1,823.0	-	-
Amounts due from subsidiaries	22	-	-	-	-	-	-	1,807.2	1,060.5
Total loans and receivables at amortised cost		9,984.1	10,016.5	2,315.0	2,109.6	7,669.1	7,906.9	1,877.0	1,093.0

NOTES TO THE FINANCIAL STATEMENTS

24 DERIVATIVE FINANCIAL INSTRUMENTS

	Notional Principal	Derivative Financial Assets	Derivative Financial Liabilities	Notional Principal	Derivative Financial Assets	Derivative Financial Liabilities
in Singapore Dollars (millions)	2014	2014	2014	2013	2013	2013
24.1 Total						
Foreign exchange:						
Forwards	6,308.5	11.8	(101.5)	5,108.8	14.8	(68.5)
Currency swaps	2,354.1	61.6	(236.4)	2,369.4	185.9	(99.9)
Interest rates:						
Swaps	631.3	39.1	(1.8)	836.3	39.4	(19.6)
Exchange traded futures	1,098.3	0.9	(1.7)	320.9	2.1	(0.1)
	10,392.2	113.4	(341.4)	8,635.4	242.2	(188.1)
24.2 Shareholders' and General Insurance Funds						
Foreign exchange:						
Forwards	241.4	0.3	(4.7)	283.1	0.5	(3.5)
Currency swaps	17.1	–	(0.9)	17.1	0.4	(0.3)
	258.5	0.3	(5.6)	300.2	0.9	(3.8)
24.3 Life Assurance Fund						
Foreign exchange:						
Forwards	6,067.1	11.5	(96.8)	4,825.7	14.3	(65.0)
Currency swaps	2,337.0	61.6	(235.5)	2,352.3	185.5	(99.6)
Interest rates:						
Swaps	631.3	39.1	(1.8)	836.3	39.4	(19.6)
Exchange traded futures	1,098.3	0.9	(1.7)	320.9	2.1	(0.1)
	10,133.7	113.1	(335.8)	8,335.2	241.3	(184.3)

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

25 INVESTMENTS

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
25.1 Available-for-sale financial assets							
Equity securities							
(i) Quoted equity securities		10,891.0	10,435.4	1,548.0	1,455.4	9,343.0	8,980.0
(ii) Unquoted equity securities		918.2	661.3	28.4	0.4	889.8	660.9
		11,809.2	11,096.7	1,576.4	1,455.8	10,232.8	9,640.9
less: Provision for impairment of quoted equity securities	6	34.8	41.7	1.7	1.7	33.1	40.0
Provision for impairment of unquoted equity securities	6	27.6	28.2	-	-	27.6	28.2
		11,746.8	11,026.8	1,574.7	1,454.1	10,172.1	9,572.7
Debt securities							
(iii) Quoted debt securities ⁽¹⁾		19,555.5	17,115.9	1,864.9	1,562.6	17,690.6	15,553.3
(iv) Unquoted debt securities		12,110.9	11,176.8	515.0	401.8	11,595.9	10,775.0
		31,666.4	28,292.7	2,379.9	1,964.4	29,286.5	26,328.3
less: Provision for impairment of quoted debt securities	6	-	0.2	-	-	-	0.2
Provision for impairment of unquoted debt securities	6	4.1	49.2	4.1	3.5	-	45.7
		31,662.3	28,243.3	2,375.8	1,960.9	29,286.5	26,282.4
Other investments							
(v) Collective investment schemes ⁽²⁾		3,411.2	2,605.8	627.7	517.5	2,783.5	2,088.3
less: Provision for impairment of collective investment schemes	6	38.4	30.8	1.4	0.8	37.0	30.0
		3,372.8	2,575.0	626.3	516.7	2,746.5	2,058.3
Total Available-for-sale financial assets		46,781.9	41,845.1	4,576.8	3,931.7	42,205.1	37,913.4

NOTES TO THE FINANCIAL STATEMENTS

25 INVESTMENTS (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
25.2 Securities at fair value through profit or loss							
Equity securities							
(i)	Quoted equity securities	1,890.7	2,079.3	-	-	1,890.7	2,079.3
(ii)	Unquoted equity securities	1.1	0.4	-	-	1.1	0.4
		1,891.8	2,079.7	-	-	1,891.8	2,079.7
Debt securities							
(iii)	Quoted debt securities	460.8	340.7	-	-	460.8	340.7
(iv)	Unquoted debt securities	399.1	402.0	-	-	399.1	402.0
		859.9	742.7	-	-	859.9	742.7
Other investments							
(v)	Collective investment schemes ⁽²⁾	1,877.9	1,713.8	-	-	1,877.9	1,713.8
	Total securities at fair value through profit or loss ⁽³⁾	4,629.6	4,536.2	-	-	4,629.6	4,536.2
25.3 Financial instruments held-for-trading							
(i)	Financial instruments with embedded derivatives	1,665.8	1,724.7	51.4	81.4	1,614.4	1,643.3
	Total financial instruments held-for-trading	1,665.8	1,724.7	51.4	81.4	1,614.4	1,643.3
	TOTAL INVESTMENTS	53,077.3	48,106.0	4,628.2	4,013.1	48,449.1	44,092.9

⁽¹⁾ Included in quoted debt securities are quoted government securities amounting to \$3.5 million (2013: \$3.6 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.

26 ASSETS HELD FOR SALE

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Carrying Value:							
	At 1 January	-	3.0	-	3.0	-	-
	Disposals	-	(3.0)	-	(3.0)	-	-
	At 31 December	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

27 ASSOCIATES AND JOINT VENTURES

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Associates	27.1	89.5	89.5	38.8	7.1	50.7	82.4
Joint ventures	27.2	–	63.0	–	63.0	–	–
Carrying amount at 31 December		89.5	152.5	38.8	70.1	50.7	82.4

27.1 Associates

Investment in shares, at cost		137.1	150.5	60.7	9.3	76.4	141.2
Share of post-acquisition results		(49.8)	(60.0)	(23.8)	(2.2)	(26.0)	(57.8)
Currency translation adjustment		2.2	(1.0)	1.9	–	0.3	(1.0)
		(47.6)	(61.0)	(21.9)	(2.2)	(25.7)	(58.8)
Carrying amount at 31 December	27	89.5	89.5	38.8	7.1	50.7	82.4
Fair value of investment in associates for which there is published price quotation		58.1	89.7	7.1	7.1	51.0	82.6

For the current financial period, the Group recognised certain associates' share of operating results based on unaudited records available up to 30 November 2014.

Aggregate information about the Group's investments in associates that are not individually material are as follows:

in Singapore Dollars (millions)	2014	2013
Loss after tax from continuing operations	(3.3)	(12.8)
Total comprehensive income	(3.3)	(12.8)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Investment in shares, at cost		–	102.8	–	102.8	–	–
Share of post-acquisition results		–	(40.8)	–	(40.8)	–	–
Currency translation adjustment		–	1.0	–	1.0	–	–
		–	(39.8)	–	(39.8)	–	–
Carrying amount at 31 December	27	–	63.0	–	63.0	–	–

During the year, the Group divested its stake in its joint venture, Great Eastern Life Assurance (China) Company Ltd, from 50% to 25% for a cash consideration of RMB303 million (\$62.8 million). Following the divestment, the Group ceased to account for it as a joint venture but as an associate instead.

NOTES TO THE FINANCIAL STATEMENTS

27 ASSOCIATES AND JOINT VENTURES (CONTINUED)

27.2 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 2014	-	-	-	-	-	-
Total as at 31 December 2013	72.5	188.3	(100.6)	(97.1)	39.1	(46.8)

28 SUBSIDIARIES

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
		2014	2013	2014	2013	2014	2013		
Investment in shares, at cost	-	-	-	-	-	-	967.9	967.9	
Distribution from pre-acquisition reserve	-	-	-	-	-	-	(281.8)	(281.8)	
		-	-	-	-	-	686.1	686.1	

Significant restrictions:

The ability of insurance subsidiaries to transfer funds to the Group in the form of cash dividends is subject to local insurance laws and regulations and solvency requirements in certain jurisdictions in which the subsidiaries operate. These requirements do not constitute a material limitation on the ability of the subsidiaries to transfer funds to the Group.

28.1 Interest in subsidiary with material non-controlling interest (NCI)

The Group has the following subsidiary that has NCI that is material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(Loss) allocated to NCI during the reporting period	Acumulated NCI at the end of the reporting period	Dividends paid to NCI
31 December 2014:					
Lion Global Investors Limited	Singapore	30%	8.9	41.1	-
31 December 2013:					
Lion Global Investors Limited	Singapore	30%	8.9	31.6	(3.8)

Significant restrictions:

There are no significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

28 SUBSIDIARIES (CONTINUED)

28.2 Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

in Singapore Dollars (millions)	Lion Global Investors Ltd	
	2014	2013
Current		
Assets	150.0	113.3
Liabilities	(23.8)	(20.0)
Net current assets	126.2	93.3
Non-current		
Assets	15.7	16.5
Liabilities	(0.5)	(0.4)
Net non-current assets	15.2	16.1
Net Assets	141.4	109.4

Summarised statement of comprehensive income

in Singapore Dollars (millions)	2014	2013
Revenue	72.4	68.7
Profit before income tax	34.8	34.8
Income tax expense	(5.2)	(5.2)
Profit after tax – continuing operations	29.6	29.6
Other comprehensive income	2.4	(1.8)
Total comprehensive income	32.0	27.8

Other summarised information

Net cash flows from operations	32.4	30.0
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NOTES TO THE FINANCIAL STATEMENTS

29 INTERESTS IN STRUCTURED ENTITIES

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Group has interests in unconsolidated structured entities as described below.

The Group holds shares or units in investment vehicles, which consist of:

- Debt securities which comprise: Mortgage-Backed-Securities (MBS) and Asset Backed Securities (ABS).
- Collective Investment Schemes which comprise: hedge funds, private equity funds, unit trusts, Real Estate Investment Trusts (REITs), Exchange Traded Funds (ETF) and Open Ended Investment Companies (OEIC).
- Financial instruments with embedded derivatives which comprise: Collateralised Debt Obligation (CDO) and Structured Deposits (SD).

The Group's holding in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles.

The investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee, and is reflected in the valuation of the investment vehicles.

29.1 Interests in unconsolidated structured entities

As part of its investment activities, the Group invests in unconsolidated structured entities. As at 31 December 2014, the Group's total interest in unconsolidated structured entities was \$6,728.7 million on the Group's balance sheet.

The Group does not sponsor any of the unconsolidated structured entities.

NOTES TO THE FINANCIAL STATEMENTS

29 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

29.1 Interests in unconsolidated structured entities (continued)

As at 31 December 2014, a summary of the Group's interest in unconsolidated structured entities is as follows:

in Singapore Dollars (millions)	Interest in Associates	Financial Investments	Total Assets
Debt securities			
<i>Analysed as:</i>			
MBS	–	262.2	262.2
ABS	–	124.4	124.4
Collective investment schemes			
<i>Analysed as:</i>			
Hedge funds	50.1	551.1	601.2
Private equity funds	7.7	667.7	675.4
Unit trusts	–	1,926.0	1,926.0
REITs	–	567.1	567.1
ETF	–	947.6	947.6
OEIC	–	591.2	591.2
Financial instruments with embedded derivatives			
<i>Analysed as:</i>			
CDO	–	23.0	23.0
SD	–	1,010.6	1,010.6
Total	57.8	6,670.9	6,728.7

The Group's maximum exposure to loss on the interests presented above is the carrying amount of the Group's investments.

The Group has not provided any financial or other support to the unconsolidated structured entities as at the reporting date, and there are no intentions to provide support in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

29 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

29.2 Other interests in unconsolidated structured entities

The Group receives management fees in respect of its asset management business. The Group does not sponsor any of the funds or investment vehicles from which it receives fees. Management fees received for investments that the Group manages but does not have a holding in also represent an interest in unconsolidated structured entities. As these investments are not held by the Group, the investment risk is borne by the external investors and therefore the Group's maximum exposure to loss relates to future management fees. The table below shows the assets under management of entities that the Group manages but does not have a holding in and the fees earned from those entities.

in Singapore Dollars (millions)	Assets under Management	Investment Management Fees
Collective investment schemes	1,495.2	12.5
Financial instruments with embedded derivatives	35.0	0.1
Total	1,530.2	12.6

30 GOODWILL

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Cost:							
At 1 January		40.4	40.9	33.6	34.1	6.8	6.8
Currency translation reserve adjustment		(0.3)	(0.5)	(0.3)	(0.5)	-	-
At 31 December		40.1	40.4	33.3	33.6	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		33.6	34.1	33.6	34.1	-	-
Currency translation reserve adjustment		(0.3)	(0.5)	(0.3)	(0.5)	-	-
At 31 December		33.3	33.6	33.3	33.6	-	-

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, \$6.9 million and \$7.7 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 the Life Assurance Fund.

NOTES TO THE FINANCIAL STATEMENTS

30 GOODWILL (CONTINUED)

30.1 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 and Pacific Mutual Fund Berhad, 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 2014	\$18.7 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	2%
Discount rate ⁽³⁾	14%

Subsidiary – Straits Eastern Square Pte Ltd

Carrying value of capitalised goodwill as at 31 December 2014	nil
Basis on which recoverable values are determined ⁽⁴⁾	Fair value of investment property held, less cost of disposal

Business acquired – Tahan Insurance Malaysia Berhad

Carrying value of capitalised goodwill as at 31 December 2014	\$6.9 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	6%
Discount rate ⁽³⁾	13%

Subsidiary – Pacific Mutual Fund Berhad

Carrying value of capitalised goodwill as at 31 December 2014	\$7.7 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	6%
Discount rate ⁽³⁾	12%

⁽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 terminal 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, Pacific Mutual Fund Berhad 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 2014 (2013: 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

31 INVESTMENT PROPERTIES

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2014	2013	2014	2013	2014	2013
Balance sheet:							
At 1 January		1,561.0	1,531.6	-	-	1,561.0	1,531.6
Additions (subsequent expenditure)		0.3	0.9	-	-	0.3	0.9
Net (loss)/gain from fair value adjustments	5	(4.6)	32.5	-	-	(4.6)	32.5
Reclassification from property, plant and equipment	32	79.1	3.5	-	-	79.1	3.5
Currency translation reserve adjustment		(3.8)	(7.5)	-	-	(3.8)	(7.5)
At 31 December		1,632.0	1,561.0	-	-	1,632.0	1,561.0
Revenue statements:							
Rental income from investment properties:							
- Minimum lease payments		36.0	33.2	-	-	36.0	33.2
Direct operating expenses (including repairs and maintenance) arising from:							
- Rental generating properties		(13.3)	(10.5)	-	-	(13.3)	(10.5)
- Non-rental generating properties		(0.2)	(1.2)	-	-	(0.2)	(1.2)
		(13.5)	(11.7)	-	-	(13.5)	(11.7)

Investment property of \$220.0 million (2013: nil) has been pledged as security for the loan payable to holding company (Note 13).

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.

Investment properties are stated at fair value, which has been determined based on objective valuation undertaken by independent valuers as 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.

NOTES TO THE FINANCIAL STATEMENTS

32 PROPERTY, PLANT AND EQUIPMENT

in Singapore Dollars (millions)	Group							Total
	Note	Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works in Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	
32.1 Total								
Cost								
At 1 January 2013		66.1	39.3	30.5	622.4	336.2	99.9	1,194.4
Additions		-	-	35.3	1.5	29.1	4.3	70.2
Disposals/assets written off		-	-	(0.1)	-	(2.1)	(0.4)	(2.6)
Reclassification		-	-	(2.9)	-	0.1	2.8	-
Reclassification to investment properties	31	-	-	(4.0)	-	-	0.5	(3.5)
Currency translation reserve adjustment		(0.3)	(0.3)	(0.1)	(6.1)	(6.0)	(2.3)	(15.1)
At 31 December 2013 and 1 January 2014		65.8	39.0	58.7	617.8	357.3	104.8	1,243.4
Additions		-	-	29.7	0.1	24.8	6.8	61.4
Disposals/assets written off		-	-	(0.1)	-	(4.9)	(0.5)	(5.5)
Reclassification		-	-	(3.7)	2.5	(0.4)	1.6	-
Reclassification to investment properties	31	-	-	(79.1)	-	-	-	(79.1)
Currency translation reserve adjustment		(0.2)	(0.1)	(0.1)	(2.9)	(3.2)	(1.0)	(7.5)
At 31 December 2014		65.6	38.9	5.4	617.5	373.6	111.7	1,212.7
Accumulated Depreciation and Impairment Loss								
At 1 January 2013		(1.4)	(2.1)	-	(194.3)	(216.0)	(69.2)	(483.0)
Depreciation charge for the year		-	-	-	(19.7)	(31.2)	(7.6)	(58.5)
Disposals/assets written off		-	-	-	-	2.0	0.3	2.3
Reclassification		-	-	-	-	(0.1)	0.1	-
Currency translation reserve adjustment		-	-	-	1.9	4.1	2.0	8.0
At 31 December 2013 and 1 January 2014		(1.4)	(2.1)	-	(212.1)	(241.2)	(74.4)	(531.2)
Depreciation charge for the year		-	(0.1)	-	(13.2)	(29.6)	(7.8)	(50.7)
Disposals/assets written off		-	-	-	-	1.2	0.5	1.7
Currency translation reserve adjustment		-	-	-	0.9	2.3	0.9	4.1
At 31 December 2014		(1.4)	(2.2)	-	(224.4)	(267.3)	(80.8)	(576.1)
Net Book Value								
At 31 December 2013		64.4	36.9	58.7	405.7	116.1	30.4	712.2
At 31 December 2014		64.2	36.7	5.4	393.1	106.3	30.9	636.6

NOTES TO THE FINANCIAL STATEMENTS

32 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

in Singapore Dollars (millions)	Group							
	Note	Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works in Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	Total
32.2 Shareholders' and General Insurance Funds								
Cost								
At 1 January 2013		3.9	–	–	0.9	13.3	7.5	25.6
Additions		–	–	0.7	–	2.9	0.5	4.1
Disposals/assets written off		–	–	–	–	(1.6)	(0.2)	(1.8)
Reclassification		–	–	–	–	0.4	(0.4)	–
Currency translation reserve adjustment		(0.1)	–	–	–	(0.1)	(0.1)	(0.3)
At 31 December 2013 and 1 January 2014		3.8	–	0.7	0.9	14.9	7.3	27.6
Additions		–	–	–	–	2.1	0.5	2.6
Disposals/assets written off		–	–	–	–	(0.2)	(0.4)	(0.6)
Reclassification		–	–	–	–	(0.3)	0.3	–
Currency translation reserve adjustment		(0.1)	–	–	–	(0.2)	–	(0.3)
At 31 December 2014		3.7	–	0.7	0.9	16.3	7.7	29.3
Accumulated Depreciation and Impairment Loss								
At 1 January 2013		–	–	–	–	(8.6)	(4.3)	(12.9)
Depreciation charge for the year		–	–	–	–	(2.1)	(1.1)	(3.2)
Disposals/assets written off		–	–	–	–	1.6	0.1	1.7
Reclassification		–	–	–	–	(0.1)	0.1	–
Currency translation reserve adjustment		–	–	–	–	(0.1)	0.2	0.1
At 31 December 2013 and 1 January 2014		–	–	–	–	(9.3)	(5.0)	(14.3)
Depreciation charge for the year		–	–	–	–	(2.2)	(1.0)	(3.2)
Disposals/assets written off		–	–	–	–	0.2	0.4	0.6
Currency translation reserve adjustment		–	–	–	–	–	0.1	0.1
At 31 December 2014		–	–	–	–	(11.3)	(5.5)	(16.8)
Net Book Value								
At 31 December 2013		3.8	–	0.7	0.9	5.6	2.3	13.3
At 31 December 2014		3.7	–	0.7	0.9	5.0	2.2	12.5

NOTES TO THE FINANCIAL STATEMENTS

32 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⁾		
32.3 Life Assurance Fund									
Cost									
At 1 January 2013		62.2	39.3	30.5	621.5	322.9	92.4	1,168.8	
Additions		-	-	34.6	1.5	26.2	3.8	66.1	
Disposals/assets written off		-	-	(0.1)	-	(0.5)	(0.2)	(0.8)	
Reclassification		-	-	(2.9)	-	(0.3)	3.2	-	
Reclassification to investment properties	31	-	-	(4.0)	-	-	0.5	(3.5)	
Currency translation reserve adjustment		(0.2)	(0.3)	(0.1)	(6.1)	(5.9)	(2.2)	(14.8)	
At 31 December 2013 and 1 January 2014		62.0	39.0	58.0	616.9	342.4	97.5	1,215.8	
Additions		-	-	29.7	0.1	22.7	6.3	58.8	
Disposals/assets written off		-	-	(0.1)	-	(4.7)	(0.1)	(4.9)	
Reclassification		-	-	(3.7)	2.5	(0.1)	1.3	-	
Reclassification to investment properties	31	-	-	(79.1)	-	-	-	(79.1)	
Currency translation reserve adjustment		(0.1)	(0.1)	(0.1)	(2.9)	(3.0)	(1.0)	(7.2)	
At 31 December 2014		61.9	38.9	4.7	616.6	357.3	104.0	1,183.4	
Accumulated Depreciation and Impairment Loss									
At 1 January 2013		(1.4)	(2.1)	-	(194.3)	(207.4)	(64.9)	(470.1)	
Depreciation charge for the year		-	-	-	(19.7)	(29.1)	(6.5)	(55.3)	
Disposals/assets written off		-	-	-	-	0.4	0.2	0.6	
Currency translation reserve adjustment		-	-	-	1.9	4.2	1.8	7.9	
At 31 December 2013 and 1 January 2014		(1.4)	(2.1)	-	(212.1)	(231.9)	(69.4)	(516.9)	
Depreciation charge for the year		-	(0.1)	-	(13.2)	(27.4)	(6.8)	(47.5)	
Disposals/assets written off		-	-	-	-	1.0	0.1	1.1	
Currency translation reserve adjustment		-	-	-	0.9	2.3	0.8	4.0	
At 31 December 2014		(1.4)	(2.2)	-	(224.4)	(256.0)	(75.3)	(559.3)	
Net Book Value									
At 31 December 2013		60.6	36.9	58.0	404.8	110.5	28.1	698.9	
At 31 December 2014		60.5	36.7	4.7	392.2	101.3	28.7	624.1	

NOTES TO THE FINANCIAL STATEMENTS

32 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at year end, the Company held furniture and fittings with a net book value of \$0.1 million (2013: \$0.1 million) and computer equipment with a net book value of \$0.2 million (2013: \$0.1 million).

⁽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	
	2014	2013
Freehold land, Leasehold land and Buildings	754.1	728.8

⁽²⁾ Other assets include motor vehicles, office furniture, fittings and equipment.

33 EXECUTIVES' SHARE OPTION SCHEME

33.1 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 2014, OCBC Bank granted 2,624,952 options (2013: 3,030,378) to GEH Optionholders to acquire ordinary shares in OCBC Bank ("OCBC shares") pursuant to 2001 scheme, of which 984,796 options were granted to a director of the Company (2013: 1,037,849). The fair value of share options granted during the year ended 31 December 2014, determined using the binomial valuation model, was \$2.7 million (2013: \$3.1 million). Significant inputs that were used to determine the fair value of options granted are set out below.

NOTES TO THE FINANCIAL STATEMENTS

33 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

33.1 OCBC Share Option Scheme (continued)

	2014	2013
Acquisition price (\$)	9.43	10.30
Average share price from grant date to acceptance date (\$)	9.51	10.51
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	13.93	13.77
Risk-free rate based on SGS bond yield at acceptance date (%)	2.42	1.37
Expected dividend yield (%)	3.57	3.14
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:

	2014		2013	
	Number of Options	Average Price	Number of Options	Average Price
Number of shares comprised in options:				
At beginning of year	5,924,759	\$9.325 ⁽¹⁾	4,095,007	\$8.152
Granted during the year	2,624,952	\$9.428 ⁽¹⁾	3,030,378	\$10.302
Adjustments for rights issue	230,546	-	-	-
Lapsed during the year	(2,359,432)	\$9.623	(129,680)	\$9.319
Exercised during the year	(831,226)	\$8.143	(1,070,946)	\$7.603
Outstanding at end of year	5,589,599	\$9.086	5,924,759	\$9.325
Exercisable at end of year	2,276,987	\$8.573	1,751,018	\$7.980
Weighted average share price underlying the options exercised during the financial year		\$9.792		\$10.363

⁽¹⁾ Weighted average subscription price was computed without adjusting for the effect of rights issue.

NOTES TO THE FINANCIAL STATEMENTS

33 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

33.1 OCBC Share Option Scheme (continued)

Details of the options outstanding as at 31 December 2014 are as follows:

Grant Year	Grant Date	Exercise Period	Acquisition Price	2014	
				Outstanding	Exercisable
2005	14.03.2005	15.03.2006 – 13.03.2015	\$5.767	13,572	13,572
2005A	08.04.2005	09.04.2006 – 07.04.2015	\$5.784	73,213	73,213
2006B	23.05.2006	24.05.2007 – 22.05.2016	\$6.580	110,024	110,024
2007B	14.03.2007	15.03.2008 – 13.03.2017	\$8.590	154,239	154,239
2008	14.03.2008	15.03.2009 – 13.03.2018	\$7.520	173,407	173,407
2009	16.03.2009	17.03.2010 – 15.03.2019	\$4.138	62,612	62,612
2010	15.03.2010	16.03.2011 – 14.03.2020	\$8.762	213,738	213,738
2011	14.03.2011	15.03.2012 – 13.03.2021	\$9.350	323,493	323,493
2012	14.03.2012	15.03.2013 – 13.03.2022	\$8.798	885,382	540,992
2013	14.03.2013	15.03.2014 – 13.03.2023	\$10.302	1,915,919	611,697
2014	14.03.2014	15.03.2015 – 13.03.2024	\$9.428	1,664,000	–
				5,589,599	2,276,987

The carrying amount of the liability recognised on the Group's balance sheet related to the above equity-settled options at 31 December 2014 is \$2.9 million (31 December 2013: \$3.7 million).

As at 31 December 2014, the weighted average remaining contractual life of outstanding options was 7.5 years (2013: 7.8 years). There were no outstanding options held by directors of the Company as at 31 December 2014 (2013: 1,600,290).

33.2 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 98,252 (2013: 174,124) OCBC ordinary shares were granted to eligible executives of GEH Group under the DSP, of which 18,855 shares (2013: 53,977) were granted to a director of the Company. The fair value of the shares at grant date was \$0.9 million (2013: \$1.8 million). In addition, 9,506 OCBC shares (of which 2,532 were granted to directors of the Company) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2013 (2013: 7,563 OCBC shares (of which 1,767 were granted to directors of the Company) awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2012).

NOTES TO THE FINANCIAL STATEMENTS

33 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

33.3 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 2014, the ninth offering of the ESP Plan was launched, commencing on 1 July 2014 and expiring on 30 June 2016. Under the offering, OCBC Bank granted 987,404 (2013: 899,075) rights to acquire ordinary shares in the Bank. The fair value of the rights, determined using the binomial valuation model was \$0.6 million (2013: \$0.8 million). Significant inputs to the valuation model are set out below.

	2014	2013
Acquisition price (\$)	9.58	9.92
Closing share price at valuation date (\$)	9.60	10.13
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	11.70	13.79
Risk-free rate based on 2-year swap rate (%)	0.42	0.26
Expected dividend yield (%)	2.83	2.61

NOTES TO THE FINANCIAL STATEMENTS

33 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

33.3 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:

	2014		2013	
	Number of Subscription Rights	Weighted Average Subscription Price	Number of Subscription Rights	Weighted Average Subscription Price
At 1 January	1,498,027	\$9.371 ⁽¹⁾	1,354,919	\$8.898
Subscriptions on commencement of plan	987,404	\$9.580 ⁽¹⁾	899,075	\$9.920
Adjustments for rights issue	47,087	-	-	-
Exercised	(679,128)	\$8.765	(566,754)	\$9.162
Lapsed / Forfeited	(224,639)	\$9.583	(189,213)	\$9.213
At 31 December	1,628,751	\$9.456	1,498,027	\$9.371
Average share price underlying acquisition rights exercised during the year		\$9.629		\$10.308

⁽¹⁾ Weighted average subscription price was computed without adjusting for the effect of rights issue.

As at 31 December 2014, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 years (2013: 1.1 years). No director of GEH Group has acquisition rights under the ESP Plan (2013: nil).

NOTES TO THE FINANCIAL STATEMENTS

34 COMMITMENTS AND CONTINGENT LIABILITIES

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2014	2013
	2014	2013	2014	2013	2014	2013		
34.1 Capital commitments								
Commitments for capital expenditure not provided for in the financial statements:								
- investment properties	28.5	39.0	-	-	28.5	39.0	-	-
- property, plant and equipment	40.4	37.8	1.6	4.0	38.8	33.8	-	-
	68.9	76.8	1.6	4.0	67.3	72.8	-	-

34.2 Operating lease commitments

The Group has entered into commercial property leases on its 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:

Within one year	34.9	31.1	-	-	34.9	31.1	-	-
After one year but not more than five years	61.8	32.6	-	-	61.8	32.6	-	-
More than five years	-	0.2	-	-	-	0.2	-	-
	96.7	63.9	-	-	96.7	63.9	-	-

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 year amounted to \$0.4 million (2013: \$0.4 million).

Within one year	2.5	3.4	0.9	1.8	1.6	1.6	-	-
After one year but not more than five years	2.6	2.4	1.0	0.4	1.6	2.0	-	-
	5.1	5.8	1.9	2.2	3.2	3.6	-	-

NOTES TO THE FINANCIAL STATEMENTS

35 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.

35.1 Significant related party transactions

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		2014	2013
	2014	2013	2014	2013	2014	2013		
Management and performance fees paid by insurance funds to subsidiaries	51.9	47.4	8.3	6.8	43.6	40.6	-	-
Fees and commission and other income received from:								
- holding company	6.3	5.9	6.3	5.9	-	-	-	-
- related parties of the holding company	2.2	2.0	1.8	2.0	0.4	-	-	-
Premiums received from key management personnel	0.9	3.5	0.1	0.1	0.8	3.4	-	-
Fees and commission expense paid to:								
- holding company	99.0	124.3	4.4	4.6	94.6	119.7	-	-
- related parties of the holding company	33.6	12.8	4.7	4.5	28.9	8.3	-	-
Interest income received from:								
- holding company	0.4	1.1	0.1	0.1	0.3	1.0	-	-
- related parties of the holding company	40.7	31.7	1.3	1.1	39.4	30.6	-	-
Loan from holding company	41.2	-	-	-	41.2	-	-	-
Interest expense paid to holding company	1.3	-	-	-	1.3	-	-	-
Rental income received from related parties of the holding company	0.3	0.3	-	-	0.3	0.3	-	-
Other expenses paid to:								
- holding company	5.0	3.5	2.4	1.1	2.6	2.4	-	-
- related parties of the holding company	9.9	21.9	3.5	3.3	6.4	18.6	-	-

NOTES TO THE FINANCIAL STATEMENTS

35 RELATED PARTY TRANSACTIONS (CONTINUED)

35.2 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		2014	2013
	2014	2013	2014	2013	2014	2013		
Cash and cash equivalents held with:								
– holding company	313.5	369.4	90.6	76.1	222.9	293.3	62.6	17.3
– related parties of the holding company	627.0	465.5	35.7	30.8	591.3	434.7	–	–
Amount due to holding company	3.1	3.7	2.9	3.7	0.2	–	–	–
Loan payable to holding company	41.2	–	–	–	41.2	–	–	–
Investments in debt securities and preference shares of:								
– holding company	–	10.3	–	–	–	10.3	–	–
– related parties of the holding company	563.5	584.6	8.6	14.0	554.9	570.6	–	–
Derivative financial assets held with:								
– holding company	71.3	113.6	0.3	0.6	71.0	113.0	–	–
Derivative financial liabilities held with:								
– holding company	146.5	71.9	2.2	2.5	144.3	69.4	–	–
– related parties of the holding company	15.3	13.5	–	–	15.3	13.5	–	–

Outstanding balances at balance sheet date, other than loan payable to holding company, 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 (2013: Nil).

35.3 Compensation of key management personnel

Short-term employee benefits	18.1	17.3	6.5	5.8	11.6	11.5	2.7	1.5
Other long-term benefits	1.7	1.7	0.5	0.5	1.2	1.2	–	–
Central Provident Fund/Employee Provident Fund	0.7	0.5	0.2	0.1	0.5	0.4	–	–
Share-based payments	2.0	2.1	0.5	0.2	1.5	1.9	–	–
	22.5	21.6	7.7	6.6	14.8	15.0	2.7	1.5
Comprise amounts paid to:								
Directors of the Company	6.9	6.6	3.2	2.1	3.7	4.5	2.7	1.5
Other key management personnel	15.6	15.0	4.5	4.5	11.1	10.5	–	–
	22.5	21.6	7.7	6.6	14.8	15.0	2.7	1.5

NOTES TO THE FINANCIAL STATEMENTS

36 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

36 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
	2014	2013	2014	2013	2014	2013	2014	2013
(a) Shareholders' Fund								
Investment income, net	2.0	1.8	122.4	112.5	8.1	(2.3)	⁽¹⁾ 132.5	112.0
Gain on sale of investments and changes in fair value	-	3.2	30.8	48.9	-	-	30.8	52.1
Gain on disposal of interest in a joint venture	-	-	31.9	-	-	-	31.9	-
Increase in provision for impairment of assets	-	-	(1.3)	(0.7)	-	-	(1.3)	(0.7)
Gain/(loss) on exchange differences	0.2	(0.3)	10.4	6.0	-	-	10.6	5.7
Profit/(loss) from investments in Shareholders' Fund	2.2	4.7	194.2	166.7	8.1	(2.3)	204.5	169.1
Fees and other income	79.0	75.5	2.0	2.0	(8.1)	(6.5)	⁽¹⁾ 72.9	71.0
Profit/(loss) before expenses	81.2	80.2	196.2	168.7	-	(8.8)	277.4	240.1
Management and other expenses	44.2	43.2	34.1	2.3	-	-	78.3	45.5
Interest expense	-	-	18.3	18.3	-	-	18.3	18.3
Depreciation	1.2	1.0	0.7	1.1	-	-	1.9	2.1
Total expenses	45.4	44.2	53.1	21.7	-	-	98.5	65.9
Profit/(loss) after expenses	35.8	36.0	143.1	147.0	-	(8.8)	178.9	174.2
Share of loss after income tax of associates	-	-	(1.6)	-	-	-	(1.6)	-
Share of loss after income tax of joint ventures	-	-	-	(7.9)	-	-	-	(7.9)
Segment profit/(loss) before income tax	35.8	36.0	141.5	139.1	-	(8.8)	177.3	166.3
Income tax	(5.3)	(5.5)	(89.1)	(101.2)	-	-	(94.4)	(106.7)
Segment profit/(loss) after income tax	30.5	30.5	52.4	37.9	-	(8.8)	82.9	59.6
Reconciliation to consolidated Profit & Loss Statement:								
Profit from insurance business							805.1	624.2
Profit per Profit & Loss Statement							888.0	683.8

⁽¹⁾ Inter-segment dividend and management fee income are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

36 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	
	2014	2013	2014	2013	2014	2013		2014	2013
(a) Shareholders' Fund (continued)									
Other material items:									
Interest income	0.5	0.4	75.0	72.6	-	-		75.5	73.0
Staff costs and related expenses (including executive directors and key management personnel compensation)	36.8	35.0	39.9	39.2	-	-		76.7	74.2
Rental expense	2.4	2.5	3.9	3.8	-	-		6.3	6.3
Interest expense	-	-	18.3	18.3	-	-		18.3	18.3
Non-cash items:									
Depreciation	1.2	1.0	0.7	1.1	-	-		1.9	2.1
Impairment of assets	-	-	1.3	0.7	-	-		1.3	0.7
Changes in fair value of investments:									
– through Profit & Loss Statement ⁽¹⁾	-	-	7.7	(13.0)	-	-		7.7	(13.0)
– through equity	1.7	(1.2)	258.7	(50.6)	-	-		260.4	(51.8)

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

in Singapore Dollars (millions)	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
Assets and liabilities:								
Segment assets	174.0	138.3	6,462.7	5,680.6	14.3	14.3	6,651.0	5,833.2
Investments in associates and joint ventures	-	-	38.8	70.1	-	-	38.8	70.1
Total assets	174.0	138.3	6,501.5	5,750.7	14.3	14.3	6,689.8	5,903.3
Segment liabilities	21.3	18.7	458.1	503.5	-	-	479.4	522.2
Income tax and deferred tax liabilities	6.3	5.6	272.2	248.2	-	-	278.5	253.8
Total liabilities	27.6	24.3	730.3	751.7	-	-	757.9	776.0
Other segment information:								
Additions to non-current assets								
– property, plant and equipment	0.4	1.2	0.2	0.6	-	-	0.6	1.8

NOTES TO THE FINANCIAL STATEMENTS

36 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	
	2014	2013
Other material items:		
Interest income	12.3	12.7
Staff costs and related expenses (including executive directors and key management personnel compensation)	24.7	22.0
Rental expense	2.6	2.2
Loss on disposal of property, plant and equipment	-	(0.2)
in Singapore Dollars (millions)	31 Dec 14	31 Dec 13
Assets and liabilities:		
Total assets	422.3	414.1
Segment liabilities	416.5	410.4
Income tax and deferred tax liabilities	5.8	3.7
Total liabilities	422.3	414.1
Other segment information:		
Additions to non-current assets		
- property, plant and equipment	2.0	2.3

NOTES TO THE FINANCIAL STATEMENTS

36 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(c) Life Assurance Fund										
Premiums less reassurances	5,197.7	5,135.3	1,266.7	1,190.1	1,343.7	1,274.6	-	-	7,808.1	7,600.0
Commissions received from reinsurers	7.3	5.2	7.0	10.3	4.5	1.5	-	-	18.8	17.0
Investment income, net	1,568.2	1,485.9	198.8	196.6	96.1	108.9	-	-	1,863.1	1,791.4
Rental income, net	54.3	50.8	4.7	4.5	-	-	(0.4)	(0.4)	58.6	54.9
Gain/(loss) on sale of investments and changes in fair value ⁽¹⁾	1.3	108.3	(21.2)	(37.0)	127.5	301.1	-	-	107.6	372.4
Gain/(loss) on exchange differences ⁽¹⁾	257.1	204.8	67.7	36.5	(0.8)	(4.8)	-	-	324.0	236.5
Segment revenue	7,085.9	6,990.3	1,523.7	1,401.0	1,571.0	1,681.3	(0.4)	(0.4)	10,180.2	10,072.2
Gross claims, surrenders and annuities	3,945.7	4,892.8	740.6	513.6	708.4	806.6	-	-	5,394.7	6,213.0
Claims, surrenders and annuities recovered from reinsurers	(15.5)	(13.2)	(53.1)	(52.0)	(17.1)	(13.2)	-	-	(85.7)	(78.4)
Commissions and agency expenses	341.3	387.6	174.3	171.1	238.5	216.3	-	-	754.1	775.0
(Decrease)/increase in provision for impairment of assets	(28.7)	54.3	(9.9)	23.3	-	-	-	-	(38.6)	77.6
Management expenses	152.7	173.3	85.9	69.4	87.7	81.3	(0.4)	(0.4)	325.9	323.6
Interest expense	1.2	-	0.1	-	-	-	-	-	1.3	-
Agents' retirement benefits	20.6	19.9	1.6	1.6	9.0	7.9	-	-	31.2	29.4
Depreciation	38.8	46.5	6.5	5.9	2.2	2.9	-	-	47.5	55.3
Change in life assurance fund contract liabilities	2,979.5	2,235.1	354.8	97.1	349.4	376.8	-	-	3,683.7	2,709.0
Segment expense	7,435.6	7,796.3	1,300.8	830.0	1,378.1	1,478.6	(0.4)	(0.4)	10,114.1	10,104.5
Segment (loss)/profit before share of loss of associates	(349.7)	(806.0)	222.9	571.0	192.9	202.7	-	-	66.1	(32.3)
Share of loss after income tax of associates	(2.0)	(4.8)	(0.3)	(0.9)	-	-	-	-	(2.3)	(5.7)
Segment (loss)/profit before income tax	(351.7)	(810.8)	222.6	570.1	192.9	202.7	-	-	63.8	(38.0)
Income tax	(195.4)	(156.8)	(18.7)	(50.2)	13.6	(21.5)	-	-	(200.5)	(228.5)
Segment (loss)/profit after income tax	(547.1)	(967.6)	203.9	519.9	206.5	181.2	-	-	(136.7)	(266.5)

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

NOTES TO THE FINANCIAL STATEMENTS

36 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(c) Life Assurance Fund (continued)										
Retained in life assurance fund	(685.5)	(1,113.1)	(219.0)	240.7	-	7.2	-	-	(904.5)	(865.2)
Transferred to Profit and Loss Statement	138.4	145.5	422.9	279.2	206.5	174.0	-	-	767.8	598.7
	(547.1)	(967.6)	203.9	519.9	206.5	181.2	-	-	(136.7)	(266.5)
Other material items:										
Interest income	1,277.7	1,220.5	196.3	197.0	83.8	80.3	-	-	1,557.8	1,497.8
Staff costs and related expenses (including executive directors and key management personnel compensation)	98.5	99.4	40.4	37.6	38.2	34.6	-	-	177.1	171.6
Rental expense	8.5	8.2	3.5	3.4	3.0	2.9	(0.4)	(0.4)	14.6	14.1
Interest expense on policy benefits	131.6	114.6	0.2	0.2	-	-	-	-	131.8	114.8
Non-cash items:										
Depreciation	38.8	46.5	6.5	5.9	2.2	2.9	-	-	47.5	55.3
Impairment of assets	(28.7)	54.3	(9.9)	23.3	-	-	-	-	(38.6)	77.6
Changes in fair value of investments:										
- through Profit & Loss Statement ⁽¹⁾	271.6	308.8	25.6	89.1	(127.4)	(301.1)	-	-	169.8	96.8
- through life assurance fund ⁽¹⁾	709.9	64.7	275.8	(251.4)	-	-	-	-	985.7	(186.7)

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

NOTES TO THE FINANCIAL STATEMENTS

36 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 14	31 Dec 13	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13	31 Dec 14	31 Dec 13
(c) Life Assurance Fund (continued)										
Assets and liabilities:										
Segment assets	46,964.7	43,903.1	5,882.1	5,349.0	5,667.8	5,284.7	-	-	58,514.6	54,536.8
Investments in associates and joint ventures	49.2	78.7	1.5	3.7	-	-	-	-	50.7	82.4
Total assets	47,013.9	43,981.8	5,883.6	5,352.7	5,667.8	5,284.7	-	-	58,565.3	54,619.2
Segment liabilities	45,867.6	42,840.9	5,749.4	5,187.8	5,634.7	5,237.2	-	-	57,251.7	53,265.9
Income tax and deferred tax liabilities	1,146.3	1,140.9	134.2	164.9	33.1	47.5	-	-	1,313.6	1,353.3
Total liabilities	47,013.9	43,981.8	5,883.6	5,352.7	5,667.8	5,284.7	-	-	58,565.3	54,619.2
Other segment information:										
Additions to non- current assets										
- property, plant and equipment	54.8	62.1	3.6	3.8	0.4	0.2	-	-	58.8	66.1
- investment properties	0.3	0.8	-	0.1	-	-	-	-	0.3	0.9

NOTES TO THE FINANCIAL STATEMENTS

36 SEGMENTAL INFORMATION (CONTINUED)

(2) By Geographical Segments

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Adjustments and Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
(a) Shareholders' Fund										
Investment income, net	115.9	97.1	14.6	13.1	2.0	1.8	-	-	132.5	112.0
Gain on sale of investments and changes in fair value ⁽¹⁾	27.6	46.0	3.2	6.1	-	-	-	-	30.8	52.1
Fees and other income	67.1	64.7	5.8	6.3	-	-	-	-	72.9	71.0
Total revenue from external customers	210.6	207.8	23.6	25.5	2.0	1.8	-	-	236.2	235.1
Dividend from subsidiaries	201.3	224.7	-	-	-	-	(201.3)	(224.7)	-	-
Total revenue	411.9	432.5	23.6	25.5	2.0	1.8	(201.3)	(224.7)	236.2	235.1
Profit/(loss) after income tax	770.4	644.2	283.7	275.8	35.2	(11.5)	(201.3)	(224.7)	888.0	683.8
<u>As at 31 December:</u>										
Non-current assets	21.1	22.2	15.0	15.3	0.6	0.8	-	-	36.7	38.3
(b) General Insurance Fund										
Total revenue from external customers	78.3	73.2	129.6	131.7	-	-	-	-	207.9	204.9
<u>As at 31 December:</u>										
Non-current assets	0.9	0.7	8.2	7.9	-	-	-	-	9.1	8.6
(c) Life Assurance Fund										
Total revenue from external customers	6,312.2	6,002.5	3,700.0	3,927.6	168.0	142.1	-	-	10,180.2	10,072.2
<u>As at 31 December:</u>										
Non-current assets	1,865.9	1,865.3	384.7	389.0	5.5	5.6	-	-	2,256.1	2,259.9

Non-current assets information presented above consist of goodwill, investment properties and property, plant and equipment as presented in the consolidated balance sheet.

⁽¹⁾ Comparatives have been restated to conform to current year's presentation. Refer to Note 41 for details.

NOTES TO THE FINANCIAL STATEMENTS

37 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 Management Committee ("RMC") 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (continued)

Regulatory Capital (continued)

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 2014 amounted to \$9.6 billion (31 December 2013: \$9.2 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2014 amounted to \$0.7 billion (31 December 2013: \$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.

The following sections provide details regarding the Group's and Company's exposure to insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

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 RMC 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 RM825,000 in Malaysia. Retention limits for critical illness per life are limited to a maximum of \$400,000 in Singapore and RM595,000 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

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 37(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 2014 Insurance liabilities	As at 31 December 2013 Insurance liabilities
(i) by Class of business:		
Whole life	27,632.5	25,667.9
Endowment	15,860.2	14,790.1
Term	424.3	391.2
Accident and health	1,332.0	1,186.7
Annuity	570.9	572.8
Others	1,154.3	1,025.3
Total	46,974.2	43,634.0
(ii) by Country:		
Singapore	28,813.6	26,128.3
Malaysia	17,733.3	17,139.0
Others	427.3	366.7
Total	46,974.2	43,634.0

NOTES TO THE FINANCIAL STATEMENTS

37 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 37(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
2014							
Gross impact	(55.4)	(8.5)	72.2	(117.9)	47.4	(61.1)	(27.2)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(55.4)	(8.5)	72.2	(117.9)	47.4	(61.1)	(27.2)
2013							
Gross impact	(45.2)	(7.8)	63.7	(104.0)	41.1	(51.9)	(28.0)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(45.2)	(7.8)	63.7	(104.0)	41.1	(51.9)	(28.0)

TABLE 37(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
2014							
Gross impact	(57.1)	53.2	(14.5)	11.2	(4.2)	5.9	(9.4)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(57.1)	53.2	(14.5)	11.2	(4.2)	5.9	(9.4)
2013							
Gross impact	(50.5)	46.0	(13.3)	10.8	(4.7)	6.6	(7.7)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(50.5)	46.0	(13.3)	10.8	(4.7)	6.6	(7.7)

NOTES TO THE FINANCIAL STATEMENTS

37 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 17 and 18 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 37(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 2014			As at 31 December 2013		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Fire	21.6	(13.5)	8.1	22.5	(14.0)	8.5
Motor	35.1	(1.4)	33.7	36.4	(1.7)	34.7
Marine & aviation	2.3	(1.9)	0.4	1.1	(0.7)	0.4
Workmen's compensation	11.1	(3.2)	7.9	8.7	(3.0)	5.7
Personal accident & health	18.3	(1.8)	16.5	22.0	(1.7)	20.3
Miscellaneous	34.3	(23.3)	11.0	31.1	(20.7)	10.4
Total	122.7	(45.1)	77.6	121.8	(41.8)	80.0

in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
	Fire	34.3	(25.1)	9.2	34.1	(26.8)
Motor	76.0	(6.1)	69.9	85.4	(10.1)	75.3
Marine & aviation	11.7	(9.3)	2.4	3.0	(1.2)	1.8
Workmen's compensation	22.1	(7.5)	14.6	20.8	(7.1)	13.7
Personal accident & health	13.3	(1.8)	11.5	12.8	(1.4)	11.4
Miscellaneous	62.4	(45.7)	16.7	52.1	(32.1)	20.0
Total	219.8	(95.5)	124.3	208.2	(78.7)	129.5

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Insurance Risk (continued)

TABLE 37(C1): The table below sets out the concentration of the non-life insurance risk as at the balance sheet date: (continued)

(iii) by Country:

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2014			As at 31 December 2013		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Singapore	59.8	(25.0)	34.8	59.4	(23.1)	36.3
Malaysia	62.9	(20.1)	42.8	62.4	(18.7)	43.7
Total	122.7	(45.1)	77.6	121.8	(41.8)	80.0

in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
Singapore	82.6	(38.1)	44.5	73.0	(28.9)	44.1
Malaysia	137.2	(57.4)	79.8	135.2	(49.8)	85.4
Total	219.8	(95.5)	124.3	208.2	(78.7)	129.5

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

37 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
<u>As at 31 December 2014</u>					
Provision for adverse deviation margin	+20%	2.7	1.9	(1.9)	(1.5)
Loss ratio ⁽¹⁾	+20%	40.8	30.4	(30.4)	(23.9)
Claim handling expenses	+20%	0.6	0.6	(0.6)	(0.4)
 <u>As at 31 December 2013</u>					
Provision for adverse deviation margin	+20%	1.9	1.9	(1.9)	(1.4)
Loss ratio ⁽¹⁾	+20%	44.5	31.7	(31.7)	(24.6)
Claim handling expenses	+20%	0.4	2.7	(2.7)	(2.0)

The method used and significant assumptions made for deriving sensitivity information above did not change from the previous year.

⁽¹⁾ Best estimate reserves and current accident year payments.

NOTES TO THE FINANCIAL STATEMENTS

37 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

37 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 37(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	Not subject to foreign currency risk	Total
As at 31 December 2014						
FINANCIAL ASSETS						
Available-for-sale securities						
Equity securities	2,758.7	4,281.6	1,021.5	3,685.0	-	11,746.8
Debt securities	10,768.5	13,273.2	7,381.9	238.7	-	31,662.3
Other investments	729.1	159.8	1,931.4	552.5	-	3,372.8
Securities at fair value through profit or loss						
Equity securities	91.2	1,074.3	234.3	492.0	-	1,891.8
Debt securities	8.9	347.5	213.0	290.5	-	859.9
Other investments	1,392.3	23.9	223.2	238.5	-	1,877.9
Financial instruments with embedded derivatives						
Derivative financial assets	107.3	-	5.7	0.4	-	113.4
Loans	592.2	1,242.6	15.9	0.1	-	1,850.8
Insurance receivables	961.4	1,688.2	3.9	22.6	-	2,676.1
Other debtors and interfund balances	561.3	179.9	2.1	5.0	1,454.6	2,202.9
Cash and cash equivalents	1,796.5	1,066.0	255.4	136.4	-	3,254.3
	20,310.4	24,363.3	11,384.8	5,661.7	1,454.6	63,174.8
FINANCIAL LIABILITIES						
Other creditors and interfund balances						
Insurance payables	772.2	318.6	5.2	47.5	1,454.6	2,598.1
Derivative financial liabilities	806.3	2,617.4	2.1	14.5	-	3,440.3
Provision for agents' retirement benefits	47.1	-	292.0	2.3	-	341.4
Loan payable to holding company	-	270.0	-	-	-	270.0
Debt issued	41.2	-	-	-	-	41.2
General insurance fund contract liabilities	399.4	-	-	-	-	399.4
Life assurance fund contract liabilities	82.6	137.2	-	-	-	219.8
	27,996.7	17,733.3	856.4	387.8	-	46,974.2
	30,145.5	21,076.5	1,155.7	452.1	1,454.6	54,284.4

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(b) Foreign currency risk. (continued)

TABLE 37(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	Not subject to foreign currency risk	Total
<u>As at 31 December 2013</u>						
<u>FINANCIAL ASSETS</u>						
Available-for-sale securities						
Equity securities	2,169.4	4,465.8	844.3	3,547.3	–	11,026.8
Debt securities	9,682.2	12,622.8	5,749.8	188.5	–	28,243.3
Other investments	542.4	138.6	1,609.7	284.3	–	2,575.0
Securities at fair value through profit or loss						
Equity securities	101.0	1,320.0	199.8	458.9	–	2,079.7
Debt securities	13.0	293.7	261.0	175.0	–	742.7
Other investments	1,316.2	26.4	191.0	180.2	–	1,713.8
Financial instruments with embedded derivatives						
Derivative financial assets	539.4	1,011.8	85.8	87.7	–	1,724.7
Loans	237.5	–	3.5	1.2	–	242.2
Insurance receivables	643.1	1,205.2	15.2	0.1	–	1,863.6
Other debtors and interfund balances	924.7	1,655.3	2.1	22.2	–	2,604.3
Cash and cash equivalents	387.9	148.1	2.0	5.5	1,278.0	1,821.5
	2,502.6	735.5	340.6	148.4	–	3,727.1
	19,059.4	23,623.2	9,304.8	5,099.3	1,278.0	58,364.7
<u>FINANCIAL LIABILITIES</u>						
Other creditors and interfund balances	709.9	275.1	7.7	44.9	1,278.0	2,315.6
Insurance payables	792.1	2,279.3	2.1	14.4	–	3,087.9
Derivative financial liabilities	59.1	–	120.4	8.6	–	188.1
Provision for agents' retirement benefits	–	258.6	–	–	–	258.6
Debt issued	399.3	–	–	–	–	399.3
General insurance fund contract liabilities	73.0	135.2	–	–	–	208.2
Life assurance fund contract liabilities	25,611.7	17,139.0	549.8	333.5	–	43,634.0
	27,645.1	20,087.2	680.0	401.4	1,278.0	50,091.7

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

37 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 RMC 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 these have 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

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk. (continued)

Maturity Profile

TABLE 37(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 2014						
FINANCIAL ASSETS						
Available-for-sale securities						
Equity securities	11,746.8	-	-	-	11,746.8	11,746.8
Debt securities	31,662.3	2,108.9	9,806.4	31,899.6	-	43,814.9
Other investments	3,372.8	-	-	-	3,372.8	3,372.8
Securities at fair value through profit or loss						
Equity securities	1,891.8	-	-	-	1,891.8	1,891.8
Debt securities	859.9	113.2	380.1	600.2	-	1,093.5
Other investments	1,877.9	-	-	-	1,877.9	1,877.9
Financial instruments with embedded derivatives						
Loans	1,850.8	282.8	1,478.5	397.2	-	2,158.5
Insurance receivables	2,676.1	323.1	2.5	0.5	2,350.0	2,676.1
Other debtors and interfund balances						
Cash and cash equivalents	2,202.9	2,096.8	26.4	18.2	61.5	2,202.9
	3,254.3	3,254.3	-	-	-	3,254.3
	63,061.4	8,367.5	12,626.0	33,869.5	21,300.8	76,163.8
FINANCIAL LIABILITIES						
Other creditors and interfund balances						
Insurance payables	2,598.1	2,546.2	15.0	36.9	-	2,598.1
Provision for agents' retirement benefits	3,440.3	3,007.6	417.5	2.9	12.3	3,440.3
Loan payable to holding company	270.0	73.2	54.5	142.3	-	270.0
Debt issued	41.2	42.0	-	-	-	42.0
General insurance fund contract liabilities	399.4	18.4	73.6	427.6	-	519.6
Life assurance fund contract liabilities	219.8	184.9	5.3	0.4	29.2	219.8
	46,974.2	6,796.1	4,777.2	35,400.9	-	46,974.2
	53,943.0	12,668.4	5,343.1	36,011.0	41.5	54,064.0

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk. (continued)

TABLE 37(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 2013</u>						
<u>FINANCIAL ASSETS</u>						
Available-for-sale securities						
Equity securities	11,026.8	–	–	–	11,026.8	11,026.8
Debt securities	28,243.3	2,179.9	8,376.8	29,376.2	–	39,932.9
Other investments	2,575.0	–	–	–	2,575.0	2,575.0
Securities at fair value through profit or loss						
Equity securities	2,079.7	–	–	–	2,079.7	2,079.7
Debt securities	742.7	138.8	303.8	524.5	–	967.1
Other investments	1,713.8	–	–	–	1,713.8	1,713.8
Financial instruments with embedded derivatives						
Loans	1,863.6	406.5	1,065.9	713.3	–	2,185.7
Insurance receivables	2,604.3	337.4	4.5	–	2,262.4	2,604.3
Other debtors and interfund balances	1,821.5	1,752.5	22.5	20.3	26.2	1,821.5
Cash and cash equivalents	3,727.1	3,727.1	–	–	–	3,727.1
	58,122.5	8,699.6	10,689.3	31,806.1	19,684.0	70,879.0
<u>FINANCIAL LIABILITIES</u>						
Other creditors and interfund balances						
Insurance payables	3,087.9	2,718.5	352.9	2.0	14.5	3,087.9
Provision for agents' retirement benefits	258.6	69.6	50.3	138.7	–	258.6
Debt issued	399.3	18.4	73.6	446.0	–	538.0
General insurance fund contract liabilities						
Life assurance fund contract liabilities	43,634.0	6,948.0	4,579.7	32,106.3	–	43,634.0
	49,903.6	12,132.5	5,118.3	32,755.9	35.6	50,042.3

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) *Cash flow and liquidity risk (continued)*

TABLE 37(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 2014				
ASSETS				
Cash and cash equivalents	2,797.3	-	457.0	3,254.3
Other debtors and interfund balances	2,164.9	60.0	89.2	2,314.1
Insurance receivables	382.5	2,293.6	-	2,676.1
Loans	215.0	1,635.8	-	1,850.8
Derivative financial assets	21.7	86.7	5.0	113.4
Investments	6,761.2	41,672.8	4,643.3	53,077.3
Associates and joint ventures	-	89.5	-	89.5
Goodwill	-	33.3	-	33.3
Property, plant and equipment	-	636.6	-	636.6
Investment properties	-	1,632.0	-	1,632.0
	12,342.6	48,140.3	5,194.5	65,677.4
LIABILITIES				
Insurance payables	3,011.9	420.4	8.0	3,440.3
Other creditors and interfund balances	2,418.0	18.5	196.6	2,633.1
Unexpired risk reserve	122.7	-	-	122.7
Derivative financial liabilities	102.5	230.6	8.3	341.4
Income tax	443.4	-	18.3	461.7
Provision for agents' retirement benefits	73.2	196.8	-	270.0
Deferred tax	-	1,130.9	5.3	1,136.2
Loan payable to holding company	41.2	-	-	41.2
Debt issued	-	399.4	-	399.4
General insurance fund	184.9	36.3	-	221.2
Life assurance fund	1,709.4	43,863.9	5,105.0	50,678.3
	8,107.2	46,296.8	5,341.5	59,745.5

* expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) Cash flow and liquidity risk. (continued)

TABLE 37(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 2013</u>				
<u>ASSETS</u>				
Cash and cash equivalents	3,458.1	–	269.0	3,727.1
Other debtors and interfund balances	1,825.8	33.0	75.3	1,934.1
Insurance receivables	350.3	2,254.0	–	2,604.3
Loans	306.1	1,557.5	–	1,863.6
Derivative financial assets	91.4	148.6	2.2	242.2
Investments	6,954.8	36,599.8	4,551.4	48,106.0
Associates and joint ventures	–	152.5	–	152.5
Goodwill	–	33.6	–	33.6
Property, plant and equipment	–	712.2	–	712.2
Investment properties	–	1,561.0	–	1,561.0
	12,986.5	43,052.2	4,897.9	60,936.6
<u>LIABILITIES</u>				
Insurance payables	2,698.5	369.3	20.1	3,087.9
Other creditors and interfund balances	1,986.9	193.5	175.9	2,356.3
Unexpired risk reserve	121.8	–	–	121.8
Derivative financial liabilities	63.6	119.5	5.0	188.1
Income tax	585.7	–	14.1	599.8
Provision for agents' retirement benefits	69.6	189.0	–	258.6
Deferred tax	–	991.9	19.1	1,011.0
Debt issued	–	399.3	–	399.3
General insurance fund	192.0	17.2	–	209.2
Life assurance fund	2,161.2	40,625.8	4,790.3	47,577.3
	7,879.3	42,905.5	5,024.5	55,809.3

* expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

37 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:

To manage counterparty credit risk from derivative contracts, financial collateral may be taken to partially or fully cover mark-to-market exposures on outstanding positions. The fair value of financial assets accepted as collateral, which the Group is permitted to sell or re-pledge in the absence of default is \$11.0 million (2013: \$42.6 million), of which none (2013: nil) have been sold or re-pledged. The type of collateral obtained for derivatives contracts is cash. The Group is obliged to return equivalent assets.

in Singapore Dollars (millions)	Type of Collateral	Carrying Amount	Fair Value of Collateral
As at 31 December 2014			
Secured loans	Properties	1,226.8	2,689.5
	Others	623.9	31.3
Policy loans	Cash value of policies	2,288.8	4,595.1
Derivatives	Cash	9.8	11.0
		4,149.3	7,326.9
As at 31 December 2013			
Secured loans	Properties	1,227.8	2,911.1
	Others	634.8	24.8
Policy loans	Cash value of policies	2,249.5	4,452.8
Derivatives	Cash	40.7	42.6
		4,152.8	7,431.3

NOTES TO THE FINANCIAL STATEMENTS

37 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 2014 (31 December 2013: nil).

As at the balance sheet date, no investments (2013: 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 2014							
Available-for-sale securities							
Equity securities	-	-	-	-	11,746.8	-	11,746.8
Debt securities	27,589.5	202.7	3,870.1	-	-	-	31,662.3
Other investments	-	-	-	-	3,372.8	-	3,372.8
Securities at fair value through profit or loss							
Equity securities	-	-	-	1,891.8	-	-	1,891.8
Debt securities	-	-	2.7	857.2	-	-	859.9
Other investments	-	-	-	1,877.9	-	-	1,877.9
Financial instruments with embedded derivatives							
Derivative financial assets	1,000.6	-	633.9	16.4	14.9	-	1,665.8
Loans	605.8	-	1,245.0	-	-	-	1,850.8
Insurance receivables	146.1	-	2,496.9	-	-	33.1	2,676.1
Other debtors and interfund balances							
Cash and cash equivalents	-	-	2,113.2	89.2	-	0.5	2,202.9
	2,656.3	21.3	119.7	457.0	-	-	3,254.3
	32,106.1	224.0	10,482.1	5,194.5	15,134.5	33.6	63,174.8

* 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

37 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 2013</u>							
Available-for-sale securities							
Equity securities	-	-	-	-	11,026.8	-	11,026.8
Debt securities	24,748.4	199.4	3,295.5	-	-	-	28,243.3
Other investments	-	-	-	-	2,575.0	-	2,575.0
Securities at fair value through profit or loss							
Equity securities	-	-	-	2,079.7	-	-	2,079.7
Debt securities	-	-	2.7	740.0	-	-	742.7
Other investments	-	-	-	1,713.8	-	-	1,713.8
Financial instruments with embedded derivatives	977.7	-	728.8	18.0	0.2	-	1,724.7
Derivative financial assets	236.8	-	3.2	2.2	-	-	242.2
Loans	617.7	-	1,245.9	-	-	-	1,863.6
Insurance receivables	126.8	-	2,457.2	-	-	20.3	2,604.3
Other debtors and interfund balances	-	-	1,742.9	75.3	2.2	1.1	1,821.5
Cash and cash equivalents	3,380.7	18.7	58.8	268.9	-	-	3,727.1
	30,088.1	218.1	9,535.0	4,897.9	13,604.2	21.4	58,364.7

* 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

37 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 2014						
Insurance receivables	25.2	5.1	2.8	33.1	13.0	46.1
Other debtors and interfund balances	0.2	–	0.3	0.5	–	0.5
	25.4	5.1	3.1	33.6	13.0	46.6
As at 31 December 2013						
Insurance receivables	14.5	5.2	0.6	20.3	12.5	32.8
Other debtors and interfund balances	0.7	–	0.4	1.1	–	1.1
	15.2	5.2	1.0	21.4	12.5	33.9

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

37 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 2014	31 December 2013	31 December 2014	31 December 2013
Change in variables:				
(a) Interest Rate				
+ 100 basis points	(70.8)	(73.8)	(166.1)	(161.6)
- 100 basis points	7.9	22.1	110.1	119.5
(b) LTRFDR⁽¹⁾				
+ 10 basis points	14.3	12.9	14.3	12.9
- 10 basis points	(15.0)	(13.5)	(15.0)	(13.5)
(c) Foreign Currency				
5% increase in market value of foreign currency denominated assets	16.5	13.6	84.2	77.9
5% decrease in market value of foreign currency denominated assets	(16.5)	(13.6)	(84.2)	(77.9)
(d) Equity				
20% increase in market indices:				
- STI	20.3	13.8	82.1	54.9
- KLCI	0.8	0.8	19.3	23.9
20% decrease in market indices:				
- STI	(20.3)	(13.8)	(82.1)	(54.9)
- KLCI	(0.8)	(0.8)	(19.3)	(23.9)
(e) Credit				
Spread + 100 basis points	(229.0)	(193.9)	(294.8)	(241.7)
Spread - 100 basis points	271.1	226.6	342.1	278.6
(f) Alternative Investments⁽²⁾				
10% increase in market value of all alternative investments	18.2	16.5	43.5	35.2
10% decrease in market value of all alternative investments	(18.2)	(16.5)	(43.5)	(35.2)

⁽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 is enhanced from previous year to more accurately estimate the change in asset value due to change in variables. Comparative figures have been revised using the new computation method.

NOTES TO THE FINANCIAL STATEMENTS

37 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (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.

Technology Risk

Technology risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed technology controls, processes or human behavior.

Great Eastern adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by Internal Audit for its adequacy and effectiveness.

38 FAIR VALUE OF ASSETS AND LIABILITIES

38.1 Fair Value Hierarchy

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, quotes from brokers and market makers, discounted cash flow and other valuation techniques commonly used by market participants, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Transfers between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

38.2 Assets and Liabilities Measured at Fair Value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

in Singapore Dollars (millions)	Group 2014			Total
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
As at 31 December 2014				
Recurring Fair Value Measurements				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	-	11.8	-	11.8
Currency swaps	-	61.6	-	61.6
Interest rates				
Swaps	-	39.1	-	39.1
Exchange traded futures	-	0.9	-	0.9
	-	113.4	-	113.4
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	10,856.2	-	-	10,856.2
Unquoted equity securities	-	890.6	-	890.6
Debt securities				
Quoted debt securities	19,542.3	13.2	-	19,555.5
Unquoted debt securities	-	12,106.8	-	12,106.8
Other investments				
Collective investment schemes	1,595.9	1,776.9	-	3,372.8
	31,994.4	14,787.5	-	46,781.9
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	1,890.7	-	-	1,890.7
Unquoted equity securities	-	1.1	-	1.1
Debt securities				
Quoted debt securities	459.1	1.7	-	460.8
Unquoted debt securities	-	399.1	-	399.1
Other investments				
Collective investment schemes	1,700.4	177.5	-	1,877.9
	4,050.2	579.4	-	4,629.6
Financial assets held-for-trading				
Financial instruments with embedded derivatives	1,598.0	67.8	-	1,665.8
Financial assets as at 31 December 2014	37,642.6	15,548.1	-	53,190.7

NOTES TO THE FINANCIAL STATEMENTS

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

38.2 Assets and Liabilities Measured at Fair Value (continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period: (continued)

in Singapore Dollars (millions)	Group			Total
	2014			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
NON-FINANCIAL ASSETS				
Investment properties	-	1,632.0	-	1,632.0
Non-financial assets as at 31 December 2014	-	1,632.0	-	1,632.0
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	-	101.5	-	101.5
Currency swaps	-	236.4	-	236.4
Interest rates				
Swaps	-	1.8	-	1.8
Exchange traded futures	-	1.7	-	1.7
Financial liabilities as at 31 December 2014	-	341.4	-	341.4

NOTES TO THE FINANCIAL STATEMENTS

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

38.2 Assets and Liabilities Measured at Fair Value (continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period: (continued)

in Singapore Dollars (millions)	Group			Total
	2013			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
<u>As at 31 December 2013</u>				
<u>Recurring Fair Value Measurements</u>				
<u>FINANCIAL ASSETS</u>				
Derivative financial assets				
Foreign exchange				
Forwards	–	14.8	–	14.8
Currency swaps	–	185.9	–	185.9
Interest rates				
Swaps	–	39.4	–	39.4
Exchange traded futures	–	2.1	–	2.1
	–	242.2	–	242.2
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	10,393.7	–	–	10,393.7
Unquoted equity securities	–	633.1	–	633.1
Debt securities				
Quoted debt securities	17,108.2	7.5	–	17,115.7
Unquoted debt securities	–	11,127.6	–	11,127.6
Other investments				
Collective investment schemes	1,074.7	1,500.3	–	2,575.0
	28,576.6	13,268.5	–	41,845.1
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	2,079.3	–	–	2,079.3
Unquoted equity securities	–	0.4	–	0.4
Debt securities				
Quoted debt securities	340.7	–	–	340.7
Unquoted debt securities	–	402.0	–	402.0
Other investments				
Collective investment schemes	1,546.6	167.2	–	1,713.8
	3,966.6	569.6	–	4,536.2
Financial assets held-for-trading				
Financial instruments with embedded derivatives				
	1,564.8	159.9	–	1,724.7
Financial assets as at 31 December 2013	34,108.0	14,240.2	–	48,348.2

NOTES TO THE FINANCIAL STATEMENTS

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

38.2 Assets and Liabilities Measured at Fair Value (continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period: (continued)

in Singapore Dollars (millions)	Group			Total
	2013			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
NON-FINANCIAL ASSETS				
Investment properties	–	1,561.0	–	1,561.0
Non-financial assets as at 31 December 2013	–	1,561.0	–	1,561.0
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	–	68.5	–	68.5
Currency swaps	–	99.9	–	99.9
Interest rates				
Swaps	–	19.6	–	19.6
Exchange traded futures	–	0.1	–	0.1
Financial liabilities as at 31 December 2013	–	188.1	–	188.1

38.3 Transfers between Fair Value Hierarchy

Transfers between Level 1 and Level 2

The following table shows transfers from Level 1 to Level 2 of the fair value hierarchy for assets which are recorded at fair value.

in Singapore Dollars (millions)	Group
	2014
Available-for-sale financial assets	
Equity securities	240.0

The above financial assets were transferred from Level 1 to Level 2 as they were delisted from the stock exchange and therefore ceased to be actively traded during the year and fair values were consequently measured using valuation techniques and using observable market inputs.

There has been no transfer of financial assets between levels in 2013.

NOTES TO THE FINANCIAL STATEMENTS

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

38.4 Assets and Liabilities Not Carried at Fair Value but for which Fair Value is Disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

in Singapore Dollars (millions)	Group				Total	Carrying Amount
	31 December 2014					
	Fair value measurements at the end of the reporting period using					
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)			
Assets						
Loans	–	1,866.5	–	1,866.5	1,850.8	
Freehold land, Leasehold land and buildings	–	603.6	150.5	754.1	494.0	
Investment in associates	58.1	–	–	58.1	57.8	

in Singapore Dollars (millions)	Group				Total	Carrying Amount
	31 December 2013					
	Fair value measurements at the end of the reporting period using					
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)			
Assets						
Loans	–	1,883.8	–	1,883.8	1,863.6	
Freehold land, Leasehold land and buildings	–	584.4	144.4	728.8	507.0	
Investment in associates	89.7	–	–	89.7	89.5	

NOTES TO THE FINANCIAL STATEMENTS

38 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

38.5 Fair Value of Financial Instruments by Classes that are not Carried at Fair Value and whose Carrying Amounts are not Reasonable Approximation of Fair Value

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 December 2014 Carrying amount	Fair Value	31 December 2013 Carrying amount	Fair Value	31 December 2014 Carrying amount	Fair Value	31 December 2013 Carrying amount	Fair Value
Financial assets								
Available-for-sale financial assets								
Unquoted equity securities	286.8	#	50.1	#	-	-	-	-
Financial liabilities								
Debt issued	399.4	425.3	399.3	417.2	-	-	-	-

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 the published market bid price at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

39 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO OFFSETTING ARRANGEMENTS

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

The Group's financial assets and liabilities that are off-set are as follows:

	31 December 2014		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
in Singapore Dollars (millions)			
Financial assets			
Insurance receivables	41.8	(6.6)	35.2
Other debtors	1.1	(0.5)	0.6
Total	42.9	(7.1)	35.8
Financial liabilities			
Insurance payables	140.5	(73.3)	67.2
Total	140.5	(73.3)	67.2
	31 December 2013		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
in Singapore Dollars (millions)			
Financial assets			
Insurance receivables	37.8	(7.1)	30.7
Other debtors	1.9	(0.6)	1.3
Total	39.7	(7.7)	32.0
Financial liabilities			
Insurance payables	123.9	(65.0)	58.9
Total	123.9	(65.0)	58.9

NOTES TO THE FINANCIAL STATEMENTS

40 DIVIDENDS

in Singapore Dollars (millions)	Group and Company	
	2014	2013
Final tax exempt (one-tier) dividend for the previous year of 40 cents per ordinary share (2013: 27 cents per ordinary share)	189.3	127.8
Special tax exempt (one-tier) dividend for the previous year of 5 cents per ordinary share (2013: 27 cents per ordinary share)	23.7	127.8
Interim tax exempt (one-tier) dividend of 10 cents per ordinary share (2013: 10 cents per ordinary share)	47.3	47.3
	260.3	302.9

The Directors proposed a final tax exempt (one-tier) dividend of 40 cents per ordinary share and a special tax exempt (one-tier) dividend of 5 cents per ordinary share, totalling 45 cents per ordinary share amounting to \$213.0 million (2013: \$213.0 million) be paid in respect of the financial year ended 31 December 2014. 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.

41 COMPARATIVE FIGURES

The Group has restated the following balances in the Profit and Loss Statement and Revenue Statements to include exchange differences on financial assets at fair value through profit or loss as part of changes in fair value.

in Singapore Dollars (millions)	Group		
	As Restated	As previously reported	Increase/ (Decrease)
<u>Profit or Loss Statement</u>			
Gain on sale of investments and changes in fair value	52.1	52.8	(0.7)
Gain on exchange differences	5.7	5.0	0.7
<u>Life Assurance Revenue Statement</u>			
Gain on sale of investments and changes in fair value	372.4	444.3	(71.9)
Gain on exchange differences	236.5	164.6	71.9
<u>General Insurance Revenue Statement</u>			
Gain on sale of investments and changes in fair value	2.4	2.3	0.1
Gain on exchange differences	-	0.1	(0.1)

42 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 5 February 2015, the Board authorised these financial statements for issue and that two Directors of the Board, Mr Koh Beng Seng and Mr Norman Ip, 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
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
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
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.

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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ADDITIONAL INFORMATION

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

1. INTERESTED PERSON TRANSACTIONS

Interested person transactions 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 the SGX-ST Listing Manual) \$ million	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000) \$ million
LGlobal Funds - Additional subscription of shares in LGlobal Funds – Asian High Conviction Equity	9.02	NA
LGlobal Funds - Additional subscription of shares in LGlobal Funds – LGlobal Asia High Dividend Equity Fund	7.01	NA
e2Power Pte. Ltd. - Data centre facilities, technical infrastructure services, database administration, network facilities and infrastructure support	2.57	NA
e2Power Sdn Bhd - Data centre facilities, technical infrastructure services and network facilities	1.91	NA
OCBC Square Private Limited - Lease of premises at OCBC Centre	1.82	NA
OCBC Bank (Malaysia) Berhad - Payment of commission and management fee	0.55	NA
OCBC Al-Amin Bank Berhad - Payment of commission and management fee	0.23	NA

2. MATERIAL CONTRACTS

Since the end of the previous financial year, no material contract involving the interest of any Director or any controlling shareholder of the Company has been entered into by the Company or any of its subsidiary companies, and no such contract subsisted as at 31 December 2014, save as disclosed above, in the Directors' Report and in the financial statements for FY2014.

SHAREHOLDING STATISTICS

as at 2 March 2015

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 – 99	42	2.60	915	0.00
100 – 1,000	648	40.05	593,071	0.12
1,001 – 10,000	668	41.28	2,609,950	0.55
10,001 – 1,000,000	250	15.45	19,538,116	4.13
1,000,001 and above	10	0.62	450,577,017	95.20
Total	1,618	100.00	473,319,069	100.00

TWENTY LARGEST SHAREHOLDERS

	No. of Shares	%
1 Oversea-Chinese Bank Nominees Private Limited	412,596,108	87.17
2 HSBC (Singapore) Nominees Pte Ltd	10,000,855	2.11
3 DBS Nominees (Private) Limited	7,446,633	1.57
4 Citibank Nominees Singapore Pte Ltd	7,350,833	1.55
5 Wong Hong Sun	3,186,000	0.67
6 Kuchai Development Berhad	3,032,000	0.64
7 Wong Hong Yen	2,986,668	0.63
8 Sungei Bagan Rubber Company (Malaya) Berhad	1,733,120	0.37
9 Shaw Vee Meng	1,208,000	0.26
10 Shaw Vee Foong	1,036,800	0.22
11 United Overseas Bank Nominees (Private) Limited	883,700	0.19
12 Yeo Kok Seng	808,000	0.17
13 DBSN Services Pte. Ltd.	730,700	0.15
14 Lee Hak Heng	728,150	0.15
15 Raffles Nominees (Pte.) Limited	709,410	0.15
16 Eng Siu-Sien Lisa	522,546	0.11
17 Yeap Holdings (Pte.) Limited	487,238	0.10
18 The Estate of Alan Loke (Deceased)	455,094	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	456,754,735	96.49

GREAT EASTERN HOLDINGS LIMITED

SHAREHOLDING STATISTICS

as at 2 March 2015

SUBSTANTIAL SHAREHOLDER

	Direct Interest	Deemed Interest	Total Interest	
	No. of Shares	No. of Shares	No. of Shares	Percentage of issued shares
Oversea-Chinese Banking Corporation Limited	412,581,108 ⁽¹⁾	–	412,581,108	87.17

Note:

⁽¹⁾ Shares registered in the name of Oversea-Chinese Bank Nominees Private Limited.

Based on information available to the Company as at 2 March 2015, approximately 12% of the issued ordinary shares of the Company are held by the public, and therefore Rule 723 of the Listing Manual of Singapore Exchange Securities Trading Limited has been complied with.

FURTHER INFORMATION ON DIRECTORS

KOH BENG SENG

Current Directorships (and Appointments)

1. The Great Eastern Life Assurance Company Limited	Chairman
2. The Overseas Assurance Corporation Limited	Chairman
3. Bank of China (Hong Kong) Limited*	Director
4. BOC Hong Kong (Holdings) Limited	Director
5. Hon Sui Sen Endowment CLG Limited	Director
6. Singapore Technologies Engineering Limited*	Director
7. Sing-Han International Financial Services Limited	Director
8. United Engineers Limited*	Director
9. Octagon Advisors Pte Ltd	Chief Executive Officer

Directorships (and Appointments) for the past 3 years

1. Fraser and Neave, Limited	Director
2. Japan Wealth Management Securities Inc	Director

Academic and Professional Qualifications

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

Board Committees Served On

Chairman, Executive Committee
Chairman, Risk Management Committee
Member, Nominating Committee
Member, Remuneration Committee

Date of First Appointment

Director since 2 January 2008
Chairman since 1 September 2014

Date of Last Re-appointment

16 April 2014

Length of Service

7 years 3 months

Independent Status

Independent director

* Listed company

NORMAN IP

Current Directorships (and Appointments)

1. WBL Corporation Limited	Chairman
2. AIMS AMP Capital Industrial REIT Management Limited*	Director
3. Great Eastern Holdings Limited Group	Director
4. United Engineers Limited*	Director
5. Building and Construction Authority	Board Member

Directorships (and Appointments) for the past 3 years

1. Malaysia Smelting Corporation Berhad	Chairman
2. Australia Oriental Minerals NL	Director
3. UE E&C Ltd	Director

Academic and Professional Qualifications

Bachelor of Science (Econs) from the London School of Economics and Political Science
Fellow of the Institute of Chartered Accountants in England and Wales
Fellow of the Institute of Singapore Chartered Accountants

Board Committees Served On

Chairman, Remuneration Committee
Member, Executive Committee
Member, Nominating Committee

Date of First Appointment

Director since 5 March 2010

Date of Last Re-appointment

17 April 2013

Length of Service

5 years 0 month

Independent Status

Non-independent director
(Acting Group Chief Executive Officer)

FURTHER INFORMATION ON DIRECTORS

CHEONG CHOONG KONG

Current Directorships (and Appointments)

1. OCBC Management Services Pte Ltd	Director
2. OCBC Wing Hang Bank Ltd	Director
3. Oversea-Chinese Banking Corporation Ltd*	Director
4. Movement for the Intellectually Disabled of Singapore	Patron

Directorships (and Appointments) for the past 3 years

1. The Overseas Assurance Corporation Limited Director

Academic and Professional Qualifications

Bachelor of Science (First Class Honours in Mathematics) and (Honorary) Doctor of the University from University of Adelaide

Master of Science and Ph.D. in Mathematics and (Honorary) Doctor of Science, Australian National University, Canberra

Board Committees Served On

Chairman, Nominating Committee
Member, Executive Committee

Date of First Appointment

Director since 7 January 2005

Date of Last Re-appointment

16 April 2014

Length of Service

10 years 3 months

Independent Status

Non-independent director

LAW SONG KENG

Current Directorships (and Appointments)

1. Asia Capital Reinsurance Group Pte Ltd	Chairman
2. Frasers Hospitality Asset Management Pte Ltd	Chairman
3. Frasers Hospitality Trust Management Pte Ltd	Chairman
4. ACR Capital Holdings Pte Ltd	Director
5. Concord Insurance Company Limited	Director
6. ECICS Limited	Director
7. IFS Capital Limited*	Director

Directorships (and Appointments) for the past 3 years

1. Manulife (Singapore) Pte Ltd Director
2. Central Provident Fund Member

Academic and Professional Qualifications

Bachelor of Science (First Class Honours in Mathematics), University of Singapore

Master of Science (Actuarial Science), Northeastern University, USA.

Fellow of the Society of Actuaries, USA

Board Committees Served On

Member, Audit Committee
Member, Executive Committee
Member, Risk Management Committee

Date of First Appointment

Director since 1 January 2013

Date of Last Re-appointment

17 April 2013

Length of Service

2 years 3 months

Independent Status

Independent director

* Listed company

FURTHER INFORMATION ON DIRECTORS

LEE CHIEN SHIH

Current Directorships (and Appointments)

1. Bukit Sembawang Estates Limited Group*	Director
2. Lee Foundation, Singapore	Director
3. Lee Rubber Group	Director

Directorships (and Appointments) for the past 3 years

1. The Overseas Assurance Corporation Limited Director

Academic and Professional Qualifications

MBBS from the National University of Singapore

Board Committees Served On

Member, Nominating Committee
Member, Remuneration Committee

Date of First Appointment

Director since 7 July 2005

Date of Last Re-appointment

17 April 2013

Length of Service

9 years 9 months

Independent Status

Non-independent director

KYLE LEE KHAI FATT

Current Directorships (and Appointments)

1. MFS Technology Ltd*	Chairman
2. CapitaMall Trust Management Limited	Director
3. FEO Hospitality Asset Management Pte Ltd	Director
4. FEO Hospitality Trust Management Pte Ltd	Director
5. Jurong International Holdings Pte Ltd	Director
6. The Great Eastern Life Assurance Company Limited	Director
7. National Art Gallery	Audit Committee Member

Directorships (and Appointments) for the past 3 years

1. WBL Corporation Limited Director

Academic and Professional Qualifications

Master of Business Administration, University of London, Imperial College of Science, Technology and Medicine
Master of Science (Distinction) in International Management, University of London, The School of Oriental and African Studies
Bachelor of Arts (Honours) in Business Studies, Council of National Academic Awards, Polytechnic of the South Bank London
Fellow of the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants

Board Committees Served On

Chairman, Audit Committee
Member, Nominating Committee

Date of First Appointment

Director since 1 July 2014

Date of Last Re-appointment

–

Length of Service

9 months

Independent Status

Independent director

* Listed company

FURTHER INFORMATION ON DIRECTORS

TAN YAM PIN

Current Directorships (and Appointments)

1. Keppel Land Limited*	Director
2. Singapore Post Limited*	Director
3. Leighton Asia Limited (Hong Kong)	Advisory Board Member

Directorships (and Appointments) for the past 3 years

1. Blue Scope Steel Limited (Australia)	Director
2. The Great Eastern Life Assurance Company Limited	Director
3. The Overseas Assurance Corporation Limited	Director

Academic and Professional Qualifications

Bachelor of Arts (Hons) from the University of Singapore
Master of Business Administration, University of British Columbia, Canada

Fellow of the Canadian Institute of Chartered Accountants, Canada

Board Committees Served On

Member, Audit Committee
Member, Risk Management Committee

Date of First Appointment

Director since 7 January 2005

Date of Last Re-appointment

16 April 2014

Length of Service

10 years 3 months

Independent Status

Non-independent director

SAMUEL N TSIEN

Current Directorships (and Appointments)

1. Association of Banks in Singapore	Chairman
2. OCBC Bank (China) Ltd	Chairman
3. PT Bank OCBC NISP Tbk*	Commissioner
4. Oversea-Chinese Banking Corporation Ltd *	Director and CEO
5. ASEAN Finance Corporation Ltd	Director
6. Bank of Singapore Ltd	Director
7. Dr Goh Keng Swee Scholarship Fund	Director
8. Mapletree Investment Pte Ltd	Director
9. OCBC AL-Amin Bank Bhd	Director
10. OCBC Bank (Malaysia) Bhd	Director
11. OCBC Overseas Investments Pte Ltd	Director
12. OCBC Pearl Limited	Director
13. OCBC Wing Hang Bank Ltd	Director
14. ABS Benchmarks Administration Co Pte Ltd	Member of Oversight Committee
15. Advisory Council on Community Relations in Defence (ACCORD) (Employer & Business)	Member
16. Asian Pacific Bankers Club	Member
17. Malaysia-Singapore Business Council	Member
18. MAS Financial Sector Development Fund	Advisory Committee Member
19. Singapore Business Federation	Council Member and Finance and Investment Committee Member
20. The f-Next Council of Institute of Banking & Finance	Member

Directorships (and Appointments) for the past 3 years

1. Asfinc Singapore Ltd	Director
2. Mapletree Commercial Trust Management Ltd	Director
3. SIB Capital Ltd	Director
4. The Overseas Assurance Corporation Limited	Director

Academic and Professional Qualifications

Bachelor of Arts with Honours in Economics, University of California, Los Angeles

Board Committee Served On

Member, Risk Management Committee

Date of First Appointment

Director since 15 April 2012

Date of Last Re-appointment

18 April 2012

Length of Service

3 years 0 months

Independent Status

Non-independent director

* Listed company

MANAGEMENT TEAM

GROUP

Great Eastern Holdings Limited

Norman Ip

Director and Acting 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

Ng Yoh Thai

Managing Director, Group Information Technology

Chin Wee Cheak

Head, Group Audit

Jennifer Wong Pakshong

Group Company Secretary and General Counsel

Ronnie Tan

Group Chief Risk Officer

Loo Boon Teik

Group Actuary

James Lee

Managing Director (Acting), Group Human Capital

SINGAPORE

The Great Eastern Life Assurance Corporation 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

Jesslyn Tan

Chief Executive Officer, Great Eastern Financial Advisers

Lee Swee Kiang

Chief Product Officer

Patrick Kok

Chief Operations Officer

Leow Yung Khee (Dr)

Head, Group Insurance and Claims

Andrew Lim

Head, General Insurance

Jerry Ng

Head, Life Bancassurance

Hong Siu Ming

Head, Business Partner (Group Human Capital), Singapore

Tan Seck Geok

Head, Corporate Communications

Cheung Kwok Kei

Appointed Actuary & Head of Actuarial

Teh Kor Lak

Chief Information Officer

Sainava Bee Bee Bte Sulaiman

Head, Risk Management & Compliance

Joys Wiraatmadja

Chief Internal Auditor

Tan Mui Jun

Head, Investment Management

Wendy Anne Teo

Deputy General Counsel

MALAYSIA

Great Eastern Life Assurance (Malaysia) Berhad

Dato Koh Yaw Hui

Director & 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

Loke Chang Yueh

Appointed Actuary

Cheong Soo Ching

Chief Risk Officer

MANAGEMENT TEAM

Vincent Chin Kok Lean

Head, Information Technology

Liza Hanim Binti Zainal Abidin

Company Secretary, Company Secretariat & Legal

Dennis Tan Koh Tiong

Head, Human Capital

Audra Chung Kit Li

Chief Internal Auditor

Overseas Assurance Corporation (Malaysia) Berhad

Ng Kok Kheng

Chief Executive Officer

Lee Pooi Hor

Chief Operations Officer

Kevin Choong Wui Teck

Chief Distribution Officer

Chong Kah Lay

Head, General Operations & Underwriting

Goh Ching On

Head, Claims

Khoo Sook Hooi

Head, Finance & Administration

Great Eastern Takaful Berhad

Zafri Ab Halim

Chief Executive Officer

Loke Chang Yueh

Appointed Actuary

Norizan Yahya

Head, Agency Distribution

Mohd Hanafi Mohd Isa

Head, Partnership Distribution

Razali Kipli

Head, Human Capital

Rozita Ali

Head, Finance & Administration

Wan Ahmad Najib Wan Ahmad Lotfi

Head, Strategic Management & Shariah

Allen Tan Chee Keong

Head, Operations

Tengku Sheila Tengku Azib

Head, Branding & Marketing Communications

INDONESIA

PT Great Eastern Life Indonesia

Clement Lien

President Director

Ahmad Miswandi Sudin

Chief Agency Officer

Dian Anggriani Rahardja

Head, Finance

Yungki Aldrin

Head, Human Capital

Rachman Untung Budiman

Head, Investment Management

Gilbert Leman

Head, Information Technology

Kartina Sury

Head, Marketing

Silvanty Nova

Head, Legal and Corporate Secretariat

Sariniatun

Head, Risk Management & Compliance

Eddy Wirya Wiyana

Head, Product & Distribution Marketing

(As at 4 March 2015)

VIETNAM

Great Eastern Life (Vietnam) Co., Ltd.

Michael Tan Chin Chai

Chief Executive Officer

Ong Khai Sheong

Chief Operations Officer

Lee Kok San

Appointed Actuary

BRUNEI

The Great Eastern Life Assurance Company Limited

Caroline Sim

Head

CHINA

The Great Eastern Life Assurance Company Limited Beijing Representative Office

Ji Chunyan

Chief Representative

MYANMAR

The Great Eastern Life Assurance Co., Ltd.

Myanmar Representative Office

Andrew Lee

Chief Representative

GROUP NETWORK

SINGAPORE

Great Eastern Holdings Limited
The Great Eastern Life Assurance Company Limited
The Overseas Assurance Corporation Limited

1 Pickering Street #13-01
 Great Eastern Centre
 Singapore 048659
 Tel: +65 6248 2000
 Fax: +65 6532 2214
 Website: greateasternlife.com
 E-mail: wecare-sg@greateasternlife.com

Service Centres
for Distribution Representatives

Great Eastern @ Changi
 200 Changi Road #01-02
 Singapore 419734

Great Eastern House
 49 Beach Road #01-01
 Singapore 189685

Great Eastern Financial Advisers Private Limited

1 Pickering Street #13-01
 Great Eastern Centre
 Singapore 048659
 Tel: +65 6248 2121
 Fax: +65 6327 3073
 Website: www.greateasternfa.com.sg
 E-mail: contact_us@greateasternfa.com.sg

Lion Global Investors Limited

65 Chulia Street #18-01
 OCBC Centre
 Singapore 049513
 Tel: +65 6417 6800
 Fax: +65 6417 6801
 Website: www.lionglobalinvestors.com
 E-mail: contactus@lionglobalinvestors.com

MALAYSIA

Great Eastern Life Assurance (Malaysia) Berhad

Menara Great Eastern
 303 Jalan Ampang
 50450 Kuala Lumpur
 Malaysia
 Tel: +603 4259 8888
 Fax: +603 4259 8000
 Website: greateasternlife.com
 E-mail: wecare-my@greateasternlife.com

Branch Offices

Alor Setar

66 & 68 Jalan Teluk Wanjah
 05200 Alor Setar, Kedah
 Malaysia
 Fax: +604 731 9878

Batu Pahat

109, Jalan Rahmat
 83000 Batu Pahat, Johor
 Malaysia
 Fax: +607 432 5560

Bintulu

No. 313, Lot 3956, Phase 4
 Bintulu Parkcity Commercial Square
 Jalan Tun Ahmad Zaidi/Jalan Tanjung Batu
 97000 Bintulu, Sarawak
 Malaysia
 Fax: +6086 332 601

Ipoh

Wisma Great Eastern
 No 16, Persiaran Tugu
 Greentown Avenue
 30450 Ipoh, Perak
 Malaysia
 Fax: +605 255 5578

Johor Bahru

10th Floor, Menara Pelangi
 Jalan Kuning, Taman Pelangi
 80400 Johor Bahru, Johor
 Malaysia
 Fax: +607 334 9122

Klang

No. 8 & 10 Jalan Tiara 2A
 Bandar Baru Klang
 41150 Klang, Selangor
 Malaysia
 Fax: +603 3341 3398

Kluang

No. 22 & 24
 Jalan Md Lazim Saim
 86000 Kluang, Johor
 Malaysia
 Fax: +607 772 3449

Kota Bharu

No. S25 / 5252 – T&U
 Jalan Sultan Yahya Petra
 15200 Kota Bharu, Kelantan
 Malaysia
 Fax: +609 744 9701

Kota Kinabalu

Wisma Great Eastern
 Level 4 & 5
 No. 65 Jalan Gaya
 88000 Kota Kinabalu, Sabah
 Malaysia
 Fax: +6088 210 437

Kuala Terengganu

2nd Floor, 6F
 Bangunan Persatuan Hin Ann
 Jalan Air Jernih
 20300 Kuala Terengganu, Terengganu
 Malaysia
 Fax: +609 626 5195

Kuantan

A25, Jalan Dato Lim Hoe Lek
 25200 Kuantan, Pahang
 Malaysia
 Fax: +609 515 8477

Kuching

House No. 51, Lot 435, Section 54
 KTLTD, Travilion Commercial Centre
 Jalan Padungan
 93100 Kuching, Sarawak
 Malaysia
 Fax: +6082 426 684

GROUP NETWORK

Lahad Datu

Ground & 1st Floor
MDLD 3804, Lot 66
Fajar Centre, Jalan Segama
91100 Lahad Datu, Sabah
Malaysia
Fax: +6089 884 226

Melaka

No.23 Jalan PM 15
Plaza Mahkota
75000 Melaka
Malaysia
Fax: +606 283 4579

Miri

Lots 1260 & 1261, Block 10
M.C.L.D, Jalan Melayu
98000 Miri, Sarawak
Malaysia
Fax: +6085 417 518

Penang

25, Light Street
10200 Penang
Malaysia
Fax: +604 262 2140

Sandakan

Lot 5 & 6, Block 40
Lorong Indah 15
Bandar Indah, Phase 7
Mile 4, North Road
90000 Sandakan, Sabah
Malaysia
Fax: +6089 271 343

Seremban

101 & 103 Jalan Yam Tuan
70000 Seremban
Negeri Sembilan
Malaysia
Fax: +606 763 1480

Sibu

No. 10 A-F, Wisma Great Eastern
Persiaran Brooke
96000 Sibu, Sarawak
Malaysia
Fax: +6084 333 925

Taiping

60 Jalan Barrack
34000 Taiping, Perak
Malaysia
Fax: +605 805 1023

Tawau

Ground Floor, Wisma Great Eastern
Jalan Billian
91000 Tawau, Sabah
Malaysia
Fax: +6089 762 341

Overseas Assurance Corporation (Malaysia) Berhad

Level 18, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +603 4259 7888
Fax: +603 4813 2737
Website: www.oac.com.my
E-mail: enquiry@oac.com.my

Branch Offices

Kuala Lumpur

Level 18, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +603 4259 7888
Fax: +603 4813 0088

17-21, Jalan Medan Tuanku Satu
Medan Tuanku
50300 Kuala Lumpur
Tel: +603 2786 1000
Fax: +603 2713 6001

Alor Setar

Level 1, 69 & 70
Jalan Teluk Wanjah
05200 Alor Setar, Kedah
Malaysia
Tel: +604 734 6515
Fax: +604 734 6516

Ipoh

Level 2, Wisma Great Eastern
No.16, Persiaran Tugu
Greentown Avenue
30450 Ipoh, Perak
Malaysia
Tel: +605 253 6649
Fax: +605 255 3066

Johor Bahru

Suite 13A-1, Level 13A
Menara Pelangi
Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor
Malaysia
Tel: +607 334 8988
Fax: +607 334 8977

Klang

3rd Floor, No. 10 Jalan Tiara 2A
Bandar Baru Klang
41150 Klang, Selangor
Malaysia
Tel: +603 3345 1027
Fax: +603 3345 1029

Kota Bharu

No. S25 / 5252-S Tingkat 1
Jalan Sultan Yahya Petra
15200 Kota Bharu, Kelantan
Malaysia
Tel: +609 748 2698
Fax: +609 744 8533

Kota Kinabalu

Suite 6.3, Level 6
Wisma Great Eastern Life
No. 65, Jalan Gaya,
88000 Kota Kinabalu, Sabah
Malaysia
Tel: +6088 235 636
Fax: +6088 248 879

Kuantan

Level 1, No. 25, Jalan Dato' Lim
Hoe Lek
25200 Kuantan, Pahang
Malaysia
Tel: +609 516 2849
Fax: +609 516 2848

GROUP NETWORK

Kuching

No. 51, Level 3, Wisma Great Eastern
Lot 435, Section 54 KTL D
Travilion Commercial Centre
Jalan Padungan
93100 Kuching, Sarawak
Malaysia
Tel: +6082 420 197
Fax: +6082 248 072

Melaka

No. 2-23, Jalan PM 15
Plaza Mahkota
75000 Melaka
Malaysia
Tel: +606 284 3297
Fax: +606 283 5478

Penang

Suite 2-3 Level 2
Wisma Great Eastern
25 Lebu Light
10200 Penang
Malaysia
Tel: +604 261 9361
Fax: +604 261 9058

Seremban

103-2 Jalan Yam Tuan
70000 Seremban
Negeri Sembilan
Malaysia
Tel: +606 764 9082
Fax: +606 761 6178

Sibu

Level 2, No. 10 A-F
Wisma Great Eastern
Persiaran Brooke
96000 Sibu, Sarawak
Tel: +6084 328 392
Fax: +6084 326 392

Great Eastern Takaful Berhad (916257-H)

Level 3, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: +603 4259 8338
Fax: +603 4259 8808
Website: www.i-great.com
Email: i-greatcare@i-great.com.my

Agency Synergy Stations

Wangsa Maju

4th Floor Menara Kausar,
Jalan 3/27A, Seksyen 1,
Bandar Baru Wangsa Maju,
53300 Kuala Lumpur
Tel: +603 4142 0575

Alor Star

No. 18-D1 & D2,
Lebuhraya Darulaman,
05100 Alor Star, Kedah
Tel: +604 730 2290

Butterworth

Tingkat 2, No.15 Jalan Selat,
Taman Selat,
12000 Butterworth Penang
Tel: +604 323 3529

Kota Bharu

Lot 360 tingkat 1,
Jalan Seri Cemerlang,
Seksyen 27,
15300 Kota Bharu Kelantan
Tel: +609 741 7077

INDONESIA

PT Great Eastern Life Indonesia

Menara Karya, 5th Floor
Jl. H.R. Rasuna Said Blok X-5 Kav.1-2
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Indonesia
Tel: +6221 2554 3888
Fax: +6221 5794 4717
Website: greateasternlife.com
Email: wecare-ID@greateasternlife.com

PT Great Eastern Life Indonesia has
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Fax: +6222 732 2910

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Fax: +62274 553 298

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Fax: +6231 505 1166

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/ 362 8082
Fax: +62411 319 836

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Fax: +62561 749 758

Solo

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Solo
Tel/Fax: +62271 73311

Pangkal Pinang

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Kel. Masjid Jamik Kec, Rangkui
Kota Pangkal Pinang - Bangka 33143
Tel/Fax: +62717 421 883

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25 Bis Nguyen Thi Minh Khai Street
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Tel: +848 6288 6338
Fax: +848 6288 6339
Website: greateasternlife.com
E-mail: wecare-vn@greateasternlife.com

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Fax: +844 3936 3902

Sales Office

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86 Tan Da, District 5
Ho Chi Minh City
Vietnam
Tel: +848 6256 3677
Fax: +848 6256 3689

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People's Republic of China
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Fax: +8610 5856 5502

Great Eastern Life Assurance (China) Company Ltd

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Tel: +8623 6381 6666
Fax: +8623 6388 5566
Website: www.lifeisgreat.com.cn
E-mail: gelc@lifeisgreat.com.cn

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: greateasternlife.com
E-mail: wecare-bn@greateasternlife.com

MYANMAR

The Great Eastern Life Assurance Co., Ltd.

Myanmar Representative Office

Level 3, Unit No. 03-09
Union Business Centre
Nat Mauk Road, Bo Cho Quarter
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Tel/Fax: +951 860 3384

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 Sixteenth 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, 15 April 2015 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 2014 and the Auditor's Report thereon.
- 2 To approve a final tax exempt (one-tier) dividend of 40 cents per ordinary share and a special tax exempt (one-tier) dividend of 5 cents per ordinary share in respect of the financial year ended 31 December 2014.
- 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 Law Song Keng
 - (iii) Mr Tan Yam Pin
- (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 Samuel N Tsien
- (c) To re-elect Mr Kyle Lee Khai Fatt, a Director retiring under Article 97 of the Company's Articles of Association and, who being eligible, offers himself for re-election.
- 4(a) To approve Directors' fees of S\$1,821,000 for the financial year ended 31 December 2014 (2013: S\$1,937,000).
- (b) To approve a Special Director's fee of S\$820,000 to Mr Norman Ip for the financial year ended 31 December 2014 (2013: Nil).
- 5 To re-appoint Messrs Ernst & Young LLP as Auditor and authorise the Directors to fix its remuneration.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as Ordinary Resolutions:

- 6 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

NOTICE OF ANNUAL GENERAL MEETING

- (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.
- 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.

By Order of the Board

JENNIFER WONG PAKSHONG
Company Secretary

Singapore
27 March 2015

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Resolutions 3(a) to 3(c)

Resolutions 3(a)(i), (ii) and (iii) are to re-appoint Directors under Section 153(6) of the Companies Act, Chapter 50. Resolutions 3(b)(i) and (ii) are to re-elect Directors who are retiring by rotation under Article 91 of the Company's Articles of Association. Resolution 3(c) is to re-elect a Director who is retiring under Article 97 of the Company's Articles of Association. There are no relationships (including immediate family relationships) between any of these Directors and the other Directors of the Company.

Please refer to the "Board Composition and Independence" section in the Corporate Governance Report and the "Further Information on Directors" section on pages 54 and 201 respectively in the Annual Report 2014 for more information on these Directors (including information, if any, on the relationships between these Directors and the Company or its 10% shareholders).

Resolution 4(b)

Resolution 4(b) is to authorise the payment of S\$820,000 as a Special Director's fee to Mr Norman Ip in recognition of his contributions during the period of Group CEO transition in financial year 2014.

Resolution 6

Resolution 6 is to authorise 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.

Resolution 7

Resolution 7 is to authorise 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 not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. 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 set for holding the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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 24 April 2015 for the purpose of determining the entitlement of shareholders to the recommended final tax exempt (one-tier) dividend of 40 cents per ordinary share and special tax exempt (one-tier) dividend of 5 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 23 April 2015 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 23 April 2015 will be entitled to the proposed dividends.

The final and special tax exempt (one-tier) dividends, if approved by shareholders, will be paid on 7 May 2015.

IMPORTANT:

1. For investors who have used their CPF monies to buy Great Eastern Holdings Limited shares, the 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.
3. CPF investors who wish to attend the Annual General Meeting as observers have to submit their request through their CPF Approved Nominees so that their CPF Approved Nominee may register, within the specified timeframe, with the Company. CPF Approved Nominee: Please refer to Note No. 9 on the reverse side of this form on the required details.
4. CPF investors who wish to vote must submit their voting instructions to their CPF Approved Nominees to enable them to vote on their behalf.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 March 2015.

PROXY FORM

GREAT EASTERN HOLDINGS LIMITED

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)

(COMPANY REGISTRATION NO. 199903008M)

I/We, _____

NRIC/Passport No. _____ of _____

being a member/members of Great Eastern Holdings Limited, hereby appoint

Name	Address	NRIC/ Passport No.	No. of Shares Represented	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, 15 April 2015 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, 2014 audited Financial Statements and Auditor's Report		
2	Approval of a final tax exempt (one-tier) dividend of 40 cents per ordinary share and a special tax exempt (one-tier) dividend of 5 cents per ordinary share		
3(a)(i)	Re-appointment of Dr Cheong Choong Kong		
3(a)(ii)	Re-appointment of Mr Law Song Keng		
3(a)(iii)	Re-appointment of Mr Tan Yam Pin		
3(b)(i)	Re-election of Mr Norman Ip		
3(b)(ii)	Re-election of Mr Samuel N Tsien		
3(c)	Re-election of Mr Kyle Lee Khai Fatt		
4(a)	Approval of Directors' fees of S\$1,821,000 in respect of financial year 2014		
4(b)	Approval of a Special Director's fee of S\$820,000 to Mr Norman Ip in respect of financial year 2014		
5	Re-appointment of Messrs Ernst & Young LLP as Auditor and to authorise Directors to fix its 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 _____ 2015

Total Number of Shares held

--

Signature(s) of Member(s) or Common Seal

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 set 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.

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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.
9. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the Annual General Meeting as observers are requested to submit in writing, a list with details of the CPF investors' names, NRIC/Passport numbers, addresses and number of Shares held. The list, signed by an authorised signatory of the CPF Approved Nominee, should reach the Company's registered office at 1 Pickering Street #16-01, Great Eastern Centre, Singapore 048659, at least 48 hours before the time appointed for holding the Annual General Meeting.

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**Proxy Form
Annual Report 2014**

**BUSINESS REPLY SERVICE
PERMIT NO. 01008**



THE COMPANY SECRETARY
Great Eastern Holdings Limited
c/o The Great Eastern Life Assurance Company Limited
1 Pickering Street #13-01
Great Eastern Centre
Singapore 048659

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(Company Reg. No. 199903008M)

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