

MOVING AHEAD...

GREAT EASTERN HOLDINGS LIMITED
ANNUAL REPORT 2016



C O N T E N T S

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... *TOGETHER*

As a LIFE company, Great Eastern goes beyond the call of insurance and providing financial security. We believe in empowering those around us to live healthier and better and in creating sustainable value for our stakeholders.

The dynamic arrows symbolise our strong conviction to stay ahead of the curve, constantly **Moving Ahead** in unison. The lattice design represents the cohesive and close ties we forge with our stakeholders... as we grow together with our customers, our people and the community to build a better tomorrow.



WHO WE ARE
WE ARE A LIFE COMPANY.

WHAT WE BELIEVE IN
**OUR CUSTOMERS
ARE AT THE HEART OF
ALL THAT WE DO.**

WHAT WE DO
**INSPIRING PEOPLE TO
LIVE GREAT.**

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 ETHOS

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

OUR CORE VALUES

INTEGRITY | INITIATIVE | INVOLVEMENT

KEY FIGURES

PERFORMANCE HIGHLIGHTS FY2016

S\$589

MILLION

PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

S\$9,556

MILLION

GROSS PREMIUMS

S\$466

MILLION

ECONOMIC VALUE OF ONE
YEAR'S NEW BUSINESS

S\$71,123

MILLION

TOTAL ASSETS

S\$504

MILLION

OPERATING PROFIT AFTER TAX

S\$6,589

MILLION

SHAREHOLDERS' FUND

S\$11,694

MILLION

EMBEDDED VALUE

55

CENTS

DISTRIBUTION PER SHARE¹

S\$9,613

MILLION

MARKET CAPITALISATION²

1 Dividend paid during the year includes the interim one-tier tax exempt dividend of 10 cents per ordinary share for the financial year ended 31 December 2016, a final one-tier tax exempt dividend of 40 cents per ordinary share and a special one-tier tax exempt dividend of 5 cents per ordinary share for the financial year ended 31 December 2015.

2 This is calculated using Shares Outstanding of 473,319,069 shares and last traded price in FY2016 of S\$20.31 (30 December 2016).





TOGETHER WITH OUR CUSTOMERS

We are a LIFE company committed to helping our customers live healthier and better. From providing meaningful financial solutions to empowering and rewarding them to Live Great, we have made it our purpose to help our customers live life to the fullest.

MOVING AHEAD TO ENRICH LIVES



TOGETHER WITH OUR PEOPLE

At Great Eastern, we strive to bring out the best in our people. We believe in nurturing an engaging environment to help our people grow with the company and realise their fullest potential.

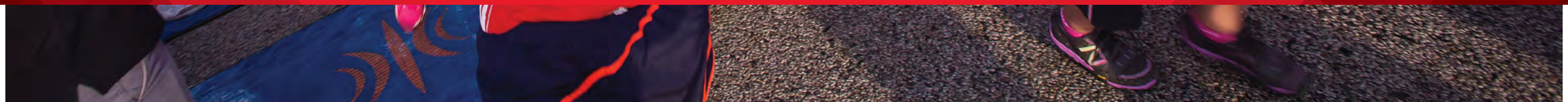
MOVING AHEAD TO EMPOWER GROWTH



TOGETHER WITH OUR COMMUNITY

We believe in making a positive difference in the communities we work in and adding value to the lives around us. We strive to inspire others to go the extra mile for the good and betterment of society.

MOVING AHEAD TO ENHANCE VALUE



LETTER TO SHAREHOLDERS



KOH BENG SENG
Chairman



KHOR HOCK SENG
Group Chief Executive Officer

“We are now in a stronger position to achieve closer collaboration, greater synergy and increased operational efficiency across our markets which augur well for our business.”

Dear Shareholders

In 2016, the world witnessed many unexpected macro events which caused an air of uncertainty in global financial markets. At the same time, regulatory requirements have tightened and insurers are facing higher expectations for capital, liquidity and compliance.

Against this challenging backdrop, the Group remained focused on the disciplined execution of our strategy to further grow our business in our core markets of Singapore and Malaysia, while at the same time building our operations in Indonesia and our takaful business in Malaysia.

We further strengthened our risk management capabilities and adopted a prudent approach in expanding our business. In our dealings with our customers, we made every effort to ensure that we continue to treat them fairly as we believe that it is only when our customers do well that our Company can prosper.

During the year, we sharpened our corporate strategy to focus on five strategic thrusts.

Firstly, to strengthen our leadership in our core markets of Singapore and Malaysia, we further optimised and expanded our bancassurance platform with OCBC Bank and ramped up efforts to grow our agency force and enhance productivity.

Secondly, efforts were intensified to grow our business lines. We made good progress in rebuilding our Indonesia business as a growth pillar and accelerated the expansion of our takaful business. Measures were taken to reshape and strengthen the business models. Both these businesses ended 2016 on a much stronger footing and are now firmly on a growth trajectory.

We have initiated various plans to further expand our General and Group Insurance business, including working with our bancassurance partner OCBC Bank to tap into the bank's corporate customer base. We can look forward to a stronger performance from these business lines in time to come.

Thirdly, we took steps to better align the Group corporate structure. While we have made changes, we continue to be guided by our core values. We are now in a stronger position to achieve closer collaboration, greater synergy and increased operational efficiency across our markets which augur well for our business.



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Another priority was to optimise asset-liability management and investment management. Towards this end, we have strengthened the role of the Asset-Liability Committee and taken steps to better align our risk, product and investment strategies.

During the year, we also made significant strides in our digitalisation journey. Our investment in business-enabling technologies has borne effective results.

One good example is our award-winning Project MegaTron which has empowered our customers and distribution force and propelled our business growth. This was successfully implemented in Singapore and will be rolled out in Malaysia in 2017.

FINANCIAL PERFORMANCE

In 2016, the Group's Total Weighted New Sales (TWNS) rose by 11% to S\$1,069.9 million, driven by strong contributions from both agency and bancassurance channels. New Business Embedded Value (NBEV), a measure of long-term economic profitability, recorded a strong 22% growth to S\$466.2 million.

The strong NBEV growth over 2015 was propelled by higher sales and NBEV margin. The Group's NBEV margin rose to 43.6% in 2016 from 39.5% in 2015, reflecting the success of our strategy to actively manage our product mix.

The Group's operating profit from insurance business for the year decreased by 13%. The decline is attributed to new business strain from higher sales growth and medical claims in the Singapore operations.

LETTER TO SHAREHOLDERS

On a full year basis, group profit attributable to shareholders decreased by 25%, largely due to lower non-operating profit, lower profit from shareholders' fund's investments and a loss on disposal of the Group's Vietnam business of S\$18.7 million. In addition, for 2015, there was a gain on disposal of the investment in New China Life Insurance Company Limited of S\$119.9 million.

The Capital Adequacy Ratios of the Group's insurance subsidiaries in both Singapore and Malaysia remain strong and well above their respective minimum regulatory levels.

The Group's Embedded Value, an estimate of the long-term economic value of a life insurance company, continued to register robust growth of 6% in 2016 to S\$11.7 billion stemming from an increase in the value of the Group's in-force business and the value of adjusted shareholders' fund.

Great Eastern is committed to enhancing shareholder value. To this end, the Directors have recommended the payment of a final one-tier tax exempt dividend of 40 cents per ordinary share. Upon shareholders' approval, the final dividend will be payable on 8 May 2017. Including the interim one-tier tax exempt dividend of 10 cents per ordinary share paid in September 2016, total dividends for the financial year 2016 would amount to 50 cents per ordinary share.

ENHANCING OUR CUSTOMER PROPOSITION

We continued our focus to provide meaningful solutions and deliver a superior differentiated customer experience.

We leveraged on our technological and analytical capabilities to enhance our suite of products and services to better serve our customers. Armed with greater customer insights, we are better placed to have regular and meaningful conversations with our customers which in turn have improved customer loyalty and further boosted customer lifetime value.

As part of our customer engagement strategy, we ramped up our Live Great initiatives and Live Great Programme across the markets.

Our signature runs for the community in Singapore and Malaysia attracted 30,000 participants while a further 40,000 pitted their strength and endurance in the Great Eastern Viper Challenge, one of Asia's most gruelling obstacle events. Some 60,000 visitors thronged the FitForLife health fair which we sponsored while our Live Great card members continued to enjoy special health and wellness privileges in the various markets.

OUR DIGITAL TRANSFORMATION

As part of our strategy to embrace and leverage on digitalisation, we developed a digital transformation framework anchored on four areas:


- Build lean operating platforms – To exploit new business models in today's rapidly changing environment, we need to remain nimble to capture new business opportunities arising from changing customer behaviour and trends.
- Accelerate innovation for business growth – To grow our revenue streams, we will continue to develop new services and products to further support existing channels as well as provide opportunities for us to venture into new channels to broaden and expand our business.
- Enhance customer experience – With Project MegaTron, our customers now have a 360-degree single-view of their policy portfolio across multiple business lines – Life, General and Group. Through our e-Connect portal, they can self-serve and analyse their protection gap. Concurrently, with centralised information and enhanced predictive marketing capabilities, our distribution force is better positioned to deliver timely needs-based solutions to our customers.
- Harness data analytics – Data is the new currency in this digital age. We have made good strides in harnessing information to improve our decision making and understanding of our customers.

STRENGTHENING OUR DISTRIBUTION CAPABILITIES


To boost distribution capabilities, a key focus was to harness advances in technology to better equip our 20,000-strong sales force to deliver better solutions and products to our customers more efficiently. Productivity and sales have increased in tandem, contributing positively to our overall results.

Another strategy was to grow our agency franchise and footprint. We proactively engaged undergraduates from major local universities and succeeded in increasing recruitment in Singapore and Malaysia.

In addition, best-in-class training programmes were conducted to upgrade our sales force on product knowledge and build core competencies in our Centres for Excellence in the various markets.



“To boost distribution capabilities, a key focus was to harness advances in technology to better equip our 20,000-strong sales force to deliver better solutions and products to our customers more efficiently.”



On the bancassurance front, greater collaboration with our bank partners remains a priority given the untapped opportunities available. We will continue to strengthen our collaboration in the areas of customer analytics and product innovation.

LEVERAGING GROUP SYNERGIES

As part of OCBC Group, our partnership with OCBC Bank continued to yield good results.

Drawing on our collective strengths, we were able to tap into new growth opportunities, capitalising on our joint expertise, industry knowledge and networks as well as huge customer base.

We collaborated closely with the bank to roll out products for different customer segments in various markets.

In Singapore, we increased our pool of Financial Protection Specialists to reach out to more of the bank’s customers with our protection solutions while on the General Insurance front, we made good inroads to deliver solutions to the bank’s consumer and business customers.

In Indonesia, we worked with OCBC NISP to reach out to its Commercial, Emerging Business and Consumer Banking customers to provide holistic insurance solutions.

In the area of insuretech, we will be collaborating with The Open Vault at OCBC, the bank’s financial technology unit, to drive open innovation and help Great Eastern develop

relevant ideas to fuel breakthroughs in insurance. This includes ideation, prototyping and deployment of new technologies, innovative commercial business models and solutions to bring to market relevant insurance products and services, and to enhance insurance processes.

CHANGES TO REGULATORY LANDSCAPE

Regulations in the markets we operate in continued to tighten. In general we support these measures as they strengthen our industry, improve professionalism and build greater trust among our customers, which can only augur well for our business. We will continue to ensure that the regulations are complied with.

Key new and revised regulations and regulatory consultations issued during the year included:

- New regulatory requirements to collect information on customers’ tax residency from 1 January 2017 under The Inland Revenue Authority of Singapore’s Common Reporting Standards requirements. Commencing May 2018, insurance companies will have to report to IRAS financial information relating to customers who are tax residents of jurisdictions with which Singapore has signed the Competent Authority Agreement.
- Revisions made to regulatory requirements on outsourcing risk management by the Monetary Authority of Singapore (MAS), including risks associated with cloud computing services by third party service providers.
- MAS issued the third consultation paper on the Risk Based Capital “RBC 2” framework for insurance companies. The RBC 2 framework adopts a risk based approach in assessing capital adequacy that aligns with an insurer’s business activities and risk profile. The effective date of RBC 2 has yet to be announced.
- Liberalisation of the motor and fire insurance tariffs for the Malaysia general insurance market by Bank Negara Malaysia (BNM) to spur product innovation and competition and expand choices for consumers as part of BNM’s efforts to reform the financial sector.
- New regulations for insurance companies in Indonesia to store data in data centres and establish disaster recovery centres in the country by 12 October 2017.

**“As a responsible insurer,
Great Eastern is committed to
building a sustainable future, guided
by our core values as well as our
philosophy of doing things right and
doing things better.”**

On the accounting front, Great Eastern will be adopting FRS 109 on Financial Instruments with effect from 1 January 2018. These standards introduce new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. A Project Steering Committee was formed to oversee the implementation of the FRS 109 project. We have made good progress and are well on track to meet the timeline for the adoption of the new accounting standards.

HUMAN CAPITAL

Our people are our most vital resource. We are committed to being an employer of choice and to cultivating a work environment which fosters collaboration and innovative thinking, anchored on the shared values and responsibilities of ‘Moving Together As One’.

We will continue to provide opportunities for our employees to grow in their careers across our businesses and geographies and to continuously acquire and upgrade skills and expertise through our structured training programmes.

Our Making Life Great workshops and townhalls were key platforms to engage employees on company goals and developments while our LIFE Programme succeeded in motivating employees to embrace a healthy lifestyle which has contributed to a positive work-life culture.

Testament to our successful efforts, the Group’s employee engagement score improved to 79%, ranking Great Eastern among the best employers in Asia by Aon Hewitt.

GIVING BACK TO THE COMMUNITY

Even as we strive to do well, we also recognise the importance of creating a positive impact in the communities that we operate in.

We encourage and create opportunities for employees to volunteer their time and talent to support worthy causes, including activities which benefit underprivileged children and the elderly under our ChildrenCare and GoldenCare programmes.

In Singapore and Malaysia, we leveraged our major Live Great events to raise funds for the community.

The Great Eastern Women’s Run raised S\$66,000 for two women-related charities – Breast Cancer Foundation and Women’s Health Research and Education Fund while the Great Eastern Bubble Dash Run in Malaysia raised RM152,000 for the Heart Foundation.

Jointly with OCBC Bank, we hosted over 300 underprivileged children and youths to a Community Day at the iconic Singapore Sports Hub and also supported the bank’s environmental sustainability initiatives.

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

SUSTAINABLE DEVELOPMENT

As a responsible insurer, Great Eastern is committed to building a sustainable future, guided by our core values as well as our philosophy of doing things right and doing things better.

We support the initiative by the Life Insurance Association Singapore for insurers to incorporate environmental, social and governance (ESG) principles into initiatives to promote sustainable insurance and responsible investments.

We are clear on our focus and strategy which includes, among others, factoring the ESG risks into underwriting decisions, incorporating ESG criteria into investment and introducing insurance products to further ESG causes. This will strengthen our business resilience and position us well for the long term.

ACCOLADES

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

Our brand ranking improved to seventh out of 100 top Singapore brands. Brand Finance, the world's leading independent intangible asset and brand valuation consultancy, valued the Great Eastern brand at US\$1.314 billion.

In the Customer Satisfaction Index of Singapore Survey conducted by the Institute of Service Excellence (Singapore Management University), Great Eastern topped the life insurance category for the second consecutive year.

Our strong efforts at engaging the community were also well recognised. Our Great Eastern Women's Run in Singapore, Asia's largest all-women run, added the prestigious Singapore Sports Award 2016 for Best Sports Event of the Year (Local) to its awards tally.

Our Malaysia business also garnered several awards for brand leadership and excellence in customer service and human resource while our Indonesia operations won awards for good corporate governance and the performance of its investment-linked funds.

LOOKING AHEAD

We expect 2017 to be a challenging year with continuing headwinds expected.

As an open economy, Singapore will continue to be impacted by events taking place globally. To this end, the threat of protectionist policies, elections in Europe, a bottoming of the global interest rate cycle and the ongoing economic restructuring efforts of China will all weigh on the Singapore economy in 2017.

On the investment front, interest rates are expected to gradually rise in 2017. The higher interest rate environment should provide better yields to match our liabilities and enable us to structure more attractive products for our customers.

However, financial market volatility is expected to continue which may impact the mark-to-market valuations of our assets and hence, our profits. Every effort will be made to manage our exposures and market risks arising from our investment portfolio.

We will continue to strengthen our business model, prudently manage costs and improve operational efficiencies, and look at innovative ways to enhance our service level and enrich customer experience through digitalisation and analytics.

At Great Eastern, we have the fundamentals – an established brand, strong financial position, a large customer base and an experienced team.

With our solid positioning in the markets we operate in and the strong fundamentals underpinning our business, we remain confident in the Group's growth prospects.

ACKNOWLEDGEMENTS

We would like to record our sincere appreciation to Mr Tan Yam Pin, who will be stepping down from the Board at the Company's Annual General Meeting in April 2017. The Group has benefitted from his invaluable contributions and wise counsel over the past 12 years.

We extend a warm welcome to Mr Thean Nam Yew, who joined the Board on 5 January 2017. Mr Thean brings with him extensive experience in consulting, strategy formulation, technology, change and system transformation and we look forward to his active participation on the Board.

On behalf of the Group, we would like to express our appreciation to the Board of Directors as well as the Boards of our subsidiary companies for their strategic leadership and guidance.

Our appreciation also goes to the management team, employees, OCBC Bank, our distribution force, our bancassurance partners and the Union for their commitment, contributions and hard work.

We also thank our shareholders and customers for their continued support, loyalty and confidence in us.

Moving ahead, we will continue to harness our considerable strengths to deliver sustainable value to all our stakeholders.



KOH BENG SENG
Chairman



KHOR HOCK SENG
Group Chief Executive Officer

10 March 2017

BOARD OF DIRECTORS



KOH BENG SENG
Chairman



NORMAN IP

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 19 April 2016. 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 Bank of China (Hong Kong) Limited, BOC Hong Kong (Holdings) Limited, Hon Sui Sen Endowment CLG Limited, Singapore Technologies Engineering Ltd and United Engineers Limited.

He was previously Deputy President of United Overseas Bank Ltd (“UOB”) and a Director of Far Eastern Bank Ltd, Fraser and Neave, Limited, Japan Wealth Management Securities Inc., Sing-Han International Financial Services Limited and UOB. 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 Honours) from the former Nanyang University, Singapore, and a Master of Business Administration from Columbia University, USA. Age 66.

Mr Ip was first appointed to the Board of the Company on 5 March 2010 and was last re-elected as the Company’s Director on 15 April 2015. Mr Ip served as Acting Group Chief Executive Officer of the Company from 1 July 2014 to 1 November 2015. He is a Director of the Company’s principal insurance subsidiaries, including Great Eastern Life, OAC and Chairman of several of the Company’s subsidiaries in Malaysia. He is presently the Group Managing Director of United Engineers Limited. He is also a Director of AIMS AMP Capital Industrial REIT Management Limited as well as the Deputy Chairman of the Building and Construction Authority and a Member of Securities Industry Council.

Mr Ip was previously Chairman of Malaysia Smelting Corporation Berhad and UE E&C Ltd as well as a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange. He is a Chartered Accountant by training and has over 32 years of experience in finance and investments, real estate and managing companies. From 2000 to 2009, he was 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 64.



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 19 April 2016. He is the Chairman of Asia Capital Reinsurance Group Pte Ltd, Concord Insurance Company Limited, Frasers Hospitality Asset Management Pte Ltd and Frasers Hospitality Trust Management Pte Ltd. He is also a Director of ACR Capital Holdings Pte Ltd and IFS Capital Limited.

Mr Law was previously Deputy Managing Director (Administration and Insurance) at the MAS, Managing Director and Chief Executive Officer of OAC, a Member of Central Provident Fund as well as Director of ECICS Limited and Manulife (Singapore) Pte Ltd.

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 72.



KYLE LEE KHAI FATT

Mr Lee was first appointed to the Board of the Company on 1 July 2014 and was re-elected as the Company's Director on 15 April 2015. He is also a Director of Great Eastern Life.

Mr Lee trained as a Chartered Accountant in London and, in his professional career spanning 36 years, he has worked in both the United Kingdom and Singapore. He was a partner of Price Waterhouse and PricewaterhouseCoopers LLP until 2010, holding leadership positions at firm, practice, industries and sector levels.

As a non-executive, independent Director of other public and private companies, he held Chairmanship of Board, Audit Committee and Nominating Committee positions. These include CapitaLand Mall Trust Management Limited, FEO Hospitality Trust Management Pte Ltd, Jurong International Holdings Pte Ltd, MFS Technology Ltd and WBL Corporation Ltd, amongst others.

He is a Fellow of both the Institute of Chartered Accountants in England and Wales and the Institute of Singapore Chartered Accountants. Age 64.

BOARD OF DIRECTORS



SOON TIT KOON



TAN YAM PIN

Mr Soon was first appointed to the Board of the Company on 1 January 2016 and was last re-elected as the Company's Director on 19 April 2016. He is a Director of OCBC Wing Hang Bank Limited, SPH REIT Management Pte Ltd and Wah Hin & Company Private Limited. Mr Soon held a series of senior positions in Oversea-Chinese Banking Corporation Limited ("OCBC Bank") from 2002 to December 2011 when he retired from the bank. He was the Chief Financial Officer of OCBC Bank from September 2002 to June 2008, and from April 2010 to November 2011. He was the Head of Group Investments of OCBC Bank from June 2008 to April 2010. Prior to joining OCBC Bank, Mr Soon was the Chief Financial Officer of Wilmar Holdings Pte Ltd from 2000 to 2002. From 1983 to 2000, he worked in Citicorp Investment Bank (Singapore) Limited and was Managing Director from 1993 to 2000.

Mr Soon holds a Bachelor of Science (Honours) in Applied Chemistry from the University of Singapore and a Master of Business Administration from University of Chicago, USA. He also completed the Advanced Management Program at Harvard Business School. Age 65.

Mr Tan was first appointed to the Board of the Company on 7 January 2005 and was last re-elected as the Company's Director on 19 April 2016. He was a Director of Great Eastern Life and OAC until 1 January 2014. Mr Tan is also a Director of Great Eastern Life Assurance (Malaysia) Berhad, Keppel Land Limited, Lee Kuan Yew Scholarship Fund and Overseas Assurance Corporation (Malaysia) Berhad. He is currently the Deputy Chairman of the Singapore Public Service Commission which he is a member since 1990. He was previously a Director of Blue Scope Steel Limited (Australia), General Storage Company Pte. Ltd. and Singapore Post Limited. He was also an Advisory Board Member of Leighton Contractors (Asia) Limited.

Mr Tan holds a Bachelor of Arts (Honours) 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 76.



THEAN NAM YEW



SAMUEL N. TSIEN

Mr Thean was first appointed to the Board of the Company on 5 January 2017. He has 24 years of experience in consulting, technology, change and transformation delivery and his experience is mainly focused on working with C-level executives to create strong linkages between transformation programs to the respective clients' business agenda. He has extensive financial services industry experience and has been working with large financial institutions in the ASEAN region.

Mr Thean holds a Bachelor of Electrical and Electronic Engineering (First Class Honours) from the University of Melbourne, Australia and has completed an Advanced Business Management Programme from the Kellogg Graduate School of Management, Northwestern University, Illinois, USA. Age 49.

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 15 April 2015. He was a Director of OAC until 1 January 2014.

Mr Tsien is the Group Chief Executive Officer and Executive Director of OCBC Bank. Prior to these appointments, he was the Senior Executive Vice President and Global Head, Global Corporate Bank overseeing the corporate and commercial banking business at OCBC Bank. Mr Tsien is also Chairman of OCBC Wing Hang Bank (China) Ltd and a Commissioner of PT Bank OCBC NISP Tbk. He is a Director of Mapletree Investments Pte Ltd. He also serves on the boards of major OCBC Group companies, including Bank of Singapore Ltd, OCBC Al-Amin Bank Berhad, OCBC Bank (Malaysia) Berhad and OCBC Wing Hang Bank Limited. He is a Council Member of the Association of Banks in Singapore, a Member of the MAS's Financial Centre Advisory Panel.

Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia), and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation.

Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles, USA. Age 62.

BOARD OF DIRECTORS



WEE JOO YEOW

Mr Wee was first appointed to the Board of the Company on 1 January 2016 and last re-elected as the Company's Director on 19 April 2016. He has more than 39 years of corporate banking experience. He was Managing Director and Head of Corporate Banking Singapore at UOB until his retirement in June 2013. Prior to that, he was Executive Vice President and Head of Corporate Banking with Overseas Union Bank Ltd and Head, Credit and Marketing with First National Bank of Chicago (Singapore). He is presently a Director of several companies, including Frasers Centrepoint Ltd, Mapletree Industrial Trust Management Ltd, OCBC Bank and PACC Offshore Services Holdings Ltd.

Mr Wee holds a Master of Business Administration from New York University, USA and a Bachelor of Business Administration (Honours) from the University of Singapore. Age 69.

BOARD OF DIRECTORS

PRINCIPAL INSURANCE SUBSIDIARIES IN SINGAPORE

THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED

Koh Beng Seng¹, Chairman
Mimi Ho
Norman Ip¹
Koh Poh Tiong
Kyle Lee Khai Fatt¹
Leo Mun Wai
Quah Wee Ghee

THE OVERSEAS ASSURANCE CORPORATION LIMITED

Koh Beng Seng¹, Chairman
Mimi Ho
Norman Ip¹
Leo Mun Wai
Quah Wee Ghee

1 Please refer to the “Board of Directors” section on pages 16 and 17 in the Annual Report 2016 for the profiles of Mr Koh Beng Seng, Mr Norman Ip and Mr Kyle Lee Khai Fatt.

BOARD OF DIRECTORS

PRINCIPAL INSURANCE SUBSIDIARIES IN SINGAPORE



MIMI HO



KOH POH TIONG

Ms Ho was first appointed to the Board of The Great Eastern Life Assurance Company Limited (“Great Eastern Life”) on 17 April 2013 and was last re-elected as Great Eastern Life’s Director on 19 April 2016. She was appointed as a Director of The Overseas Assurance Corporation Limited (“OAC”) on 1 January 2014. She is a Director and Member of the Finance Committee of Assisi Hospice, a Director of Partner Reinsurance Asia Pte. Ltd. and Regulatory Professionals Pte Ltd.

Ms Ho was previously a Director of Central Provident Fund Board and Executive Director with the Monetary Authority of Singapore (“MAS”) from March 1998 to September 2008 in various capacities including Capital Markets Supervision, Financial Markets Development and Chief Representative for MAS in New York and London. She was also a Member of the Disciplinary Committee for Casino Regulatory Authority. Prior to that, she was the Chief Financial Officer and Appointed Actuary for Prudential Assurance Company Singapore (Pte.) Limited from February 1994 to February 1998.

Ms Ho holds a Bachelor in Mathematics and Master in Mathematical Statistics, both from Columbia University. She is a Fellow of the Society of Actuaries, USA and also a Financial Industry Certified Professional for Compliance. Age 61.

Mr Koh was first appointed to the Board of Great Eastern Life on 15 April 2008 and was last re-elected as Great Eastern Life’s Director on 19 April 2016. He is the Chairman of Singapore Kindness Movement, The National Kidney Foundation, Times Publishing Limited and Yunnan Yulinquan Liquor Co Ltd. He is also a Director of Bukit Sembawang Estates Limited, Delfi Limited, Raffles Medical Group Ltd, SATS Ltd, United Engineers Limited, and a Director and Adviser of Fraser and Neave, Limited.

Mr Koh was previously the Chief Executive Officer for Food and Beverage of Fraser and Neave, Limited until his retirement on 30 September 2011. He also held the position of Chief Executive Officer of Asia Pacific Breweries Limited (“APB”) from October 1993 to September 2008. He was previously the Chairman and Senior Adviser of Ezra Holdings Ltd and a Director of APB, PSA Corporation Ltd and PSA International Pte. Ltd. and a Member of the Board of Commissioners of PT Multi Bintang Indonesia Tbk. From April 2000 to March 2008, he was the Chairman of the Agri-Food & Veterinary Authority (“AVA”) and a Member of the APEC Business Advisory Council representing Singapore from January 1999 to August 2001. His previous directorships include Jurong Bird Park Pte Ltd., Media Corporation of Singapore Pte Ltd, National Healthcare Group Pte Ltd, Television Corporation of Singapore Pte Ltd and Wildlife Reserves Singapore Pte Ltd.

For his contributions to AVA, he was bestowed the Public Service Medal at the National Day Awards 2007. He also received the Service to Education Award from the Ministry of Education in 2007 and the 1998 DHL/The Business Times Outstanding CEO of the Year Award. He also received “The Public Service Star” award in 2013 for his contribution to the Singapore Kindness Movement.

Mr Koh holds a Bachelor of Science from the University of Singapore. Age 70.



LEO MUN WAI



QUAH WEE GHEE

Mr Leo was first appointed to the Board of Great Eastern Life on 15 April 2016 and last re-elected as Great Eastern Life's Director on 19 April 2016. He was appointed a Director of OAC on 15 April 2016. He is presently an independent consultant.

Mr Leo was previously a Managing Director and Adviser of State Street Bank & Trust, Singapore and a Senior Partner of Capelle Consulting Singapore. He was also a Director and Audit Committee Member of the Casino Regulatory Authority from 2008 to 2012 and a Member of Securities Industry Council from 2010 to 2012. Mr Leo was previously with the MAS for 20 years until 2012 in various capacities including Assistant Secretary of Securities Industries Council, Senior Deputy Director of Supervisory Policy, Director of Human Resource Department, Executive Director of External Department, Executive Director of Banking Supervision, his last appointment being Assistant Managing Director of Capital Markets Group.

Mr Leo holds a Bachelor of Accountancy (Second Upper Honours) from National University of Singapore and a Masters of Finance, International Finance from RMIT University. He also completed the International Executive Programme at INSEAD. Age 50.

Mr Quah was first appointed to the Board of Great Eastern Life on 1 March 2012 and last re-elected as Great Eastern Life's Director on 15 April 2015. He was appointed a Director of OAC on 1 January 2014. Mr Quah is a Partner of Avanda LLP and a Director of Avanda Investment Management Pte Ltd, Bank of Singapore Ltd, Cypress Holding Pte Ltd, EDBI Pte Ltd and Oversea-Chinese Banking Corporation Limited. He is the Chairman of Investment Committee and a Member of Evaluation Committee of Ministry of Health Holdings Pte Ltd, and an Adviser of Investment Committee of Wah Hin & Company (Pte) Ltd.

Mr Quah was previously the Chairman of SLF Strategic Advisers Private Limited, a Director of Singapore Exchange Limited and Singapore Labour Foundation, a Member of Board of Trustees of Singapore University of Technology and Design, Managing Director and President of GIC Asset Management Pte Ltd and Adviser to the Executive Committee of Government of Singapore Investment Corporation Pte Ltd.

Mr Quah holds a Bachelor of Engineering (Civil Engineering) from the National University of Singapore. He is a Chartered Financial Analyst and Alumni Member of the Stanford Graduate School of Business. In 2010, he was awarded the Institute of Banking and Finance Distinguished Financial Industry Certified Professionals title. Age 55.

KEY EXECUTIVES



From left:
Yoon Mun Thim, Dato Koh Yaw Hui,
Ronnie Tan, Khor Hock Seng,
Dr Khoo Kah Siang and Jimmy Tong.



From left:
Chin Wee Cheak, Ng Yoh Thai,
James Lee, Jennifer Wong Pakshong, Patrick Kok,
Raymond Ong and Andrew Lee.

KEY EXECUTIVES

KHOR HOCK SENG

GROUP CHIEF EXECUTIVE OFFICER

With Great Eastern since November 2015. Over 30 years of insurance experience and has held senior leadership positions in major multinational insurance companies. Responsible for the overall strategic direction and business growth for the Great Eastern Group.

Qualifications:

Bachelor of Arts with a major in Actuarial Studies and Statistics, Macquarie University, Australia; Certificate of Actuarial Techniques, London Institute of Actuaries, UK.

KHOO KAH SIANG (DR)

MANAGING DIRECTOR, LIFE INSURANCE (SINGAPORE) AND REGIONAL BANCASSURANCE

With Great Eastern since 2006. Responsible for driving the Life business in Singapore through the company's established distribution channels – Agency, Bancassurance and GEFA – as well as growing the bancassurance business across the Group.

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 Malaysia conventional Life business as well as oversees the growth of the company's takaful business.

Qualifications:

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

JIMMY TONG

MANAGING DIRECTOR, GENERAL AND GROUP INSURANCE

Joined Great Eastern in May 2016. Leads and oversees the General and Group Insurance business across all markets in the Group.

Qualifications:

Bachelor of Business Administration, National University of Singapore; Chartered Financial Analyst.

RONNIE TAN

GROUP CHIEF FINANCIAL OFFICER

With Great Eastern since 2002. Responsible for Corporate Finance, Actuarial, Accounting, Financial Controls, Tax and Investor Relations functions for the Group.

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.

YOON MUN THIM

GROUP CHIEF INVESTMENT OFFICER

With Great Eastern since 2009. Responsible for formulating 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.

CHIN WEE CHEAK**HEAD, GROUP INTERNAL AUDIT**

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

Qualifications:

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

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

With Great Eastern since December 2013 and OCBC Bank since 2003. Responsible for the Group's IT and digitalisation efforts to deliver digital and IT solutions to improve customer experience and to support business growth.

Qualifications:

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

JAMES LEE**MANAGING DIRECTOR, GROUP HUMAN CAPITAL**

With Great Eastern since 1997. Responsible for human capital and change programmes across the Group, with priority on developing an inclusive and collaborative workplace and high-performance culture.

Qualifications:

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

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 across all countries.

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.

PATRICK KOK**MANAGING DIRECTOR, GROUP OPERATIONS**

With Great Eastern since 2009. Leads and oversees the Customer Service, Underwriting and Claims departments across the Group, with strong focus on delivering customer service excellence.

Qualifications:

Associate of Chartered Insurance Institute, UK.
B. Engineering (Hons), National University of Singapore

RAYMOND ONG**GROUP CHIEF RISK OFFICER**

With Great Eastern since 2009. Responsible for overall risk management of the Group, including market, credit, liquidity, insurance, operational, technology and compliance risks.

Qualifications:

Bachelor of Science, First Class Honours, in Actuarial Mathematics and Statistics from Heriot-Watt University, Edinburgh, UK. Fellow of the Institute of Actuaries, UK.

ANDREW LEE**GROUP CHIEF MARKETING OFFICER**

With Great Eastern since 2010 and OCBC Bank since October 1999. Responsible for implementation of marketing and product efforts across the Group, including branding and communications.

Qualifications:

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

FINANCIAL HIGHLIGHTS

Financial year ended 31 December		2016	2015	2014	2013	2012
GROUP STATISTICS						
Gross Premiums	(S\$millions)	9,555.7	8,757.4	8,209.8	7,977.5	6,614.5
Profit Attributable to Shareholders	(S\$millions)	589.3	785.4	878.6	674.8	1,189.1 ¹
Operating Profit after Tax ²	(S\$millions)	504.2	581.4	590.7	559.6	501.5
Total Assets	(S\$millions)	71,123.1	65,820.7	65,677.4	60,936.6	59,701.0
Shareholders' Fund	(S\$millions)	6,588.9	6,230.4	5,871.8	5,076.9	4,797.0
Stock Exchange Prices ³	(S\$)	20.31	20.24	23.99	17.82	15.66
Market Capitalisation ³	(S\$millions)	9,613.1	9,580.0	11,354.9	8,434.5	7,412.2
Embedded Value	(S\$millions)	11,693.8	11,001.4	10,435.5	9,213.7	8,604.8
Economic Value of One Year's New Business	(S\$millions)	466.2	385.2 ⁴	394.3	422.7	352.7
GROUP FINANCIAL RATIOS						
Return on Equity ⁵		9.2%	13.0%	16.0%	13.7%	27.3%
Gross Premium Growth		9.1%	6.7%	2.9%	20.6%	2.9%
Basic Earnings per share ⁶	(S\$)	1.25	1.66	1.86	1.43	2.51
Diluted Earnings per share	(S\$)	1.25	1.66	1.86	1.43	2.51
Net Asset Value per share	(S\$)	13.92	13.16	12.41	10.73	10.13
Embedded Value per share	(S\$)	24.706	23.243	22.047	19.466	18.180
Economic Value of One Year's New Business per share	(S\$)	0.985	0.814	0.833	0.893	0.745
Gross Dividend per share paid during the year	(cents)	55.0	55.0	55.0	64.0	37.0

¹ FY 12 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.

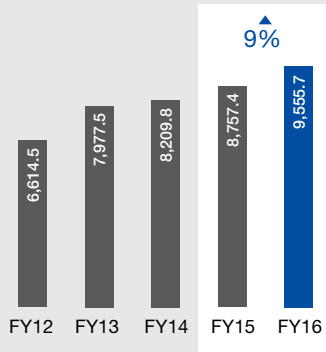
³ The Stock Exchange Prices and Market Capitalisation were obtained from Bloomberg.

⁴ If translated using exchange rates as at 31 December 2016, FY15 economic value of one year's new business would have been S\$382.5 million.

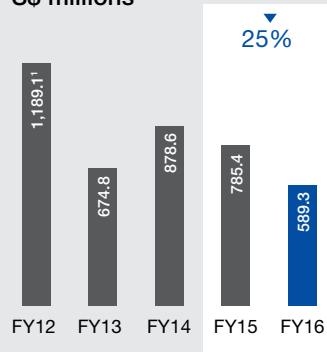
⁵ The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund has been used in the computation of Return on Equity.

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

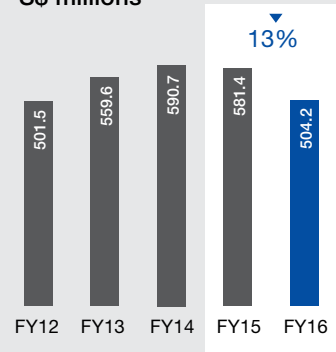
Gross Premiums
S\$ millions



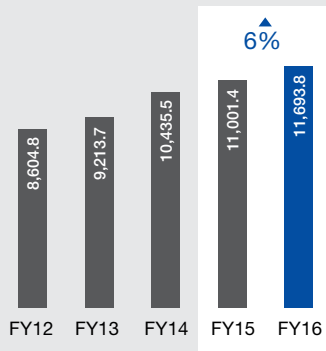
Profit Attributable to Shareholders
S\$ millions



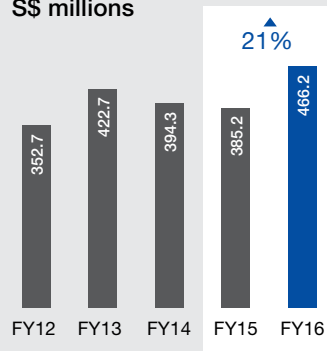
Operating Profit after Tax²
S\$ millions



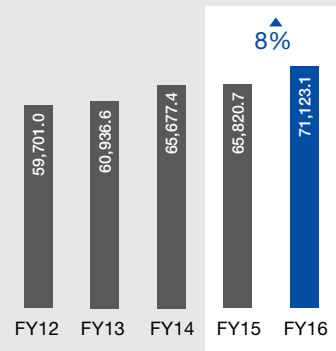
Embedded Value
S\$ millions



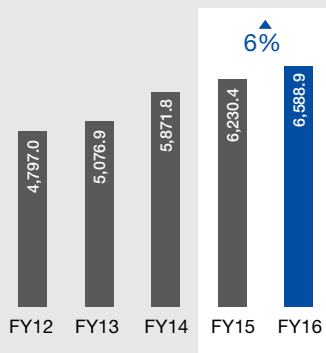
Economic Value of One Year's New Business
S\$ millions



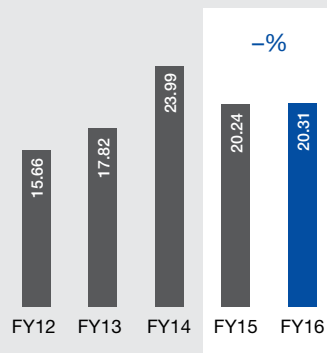
Total Assets
S\$ millions



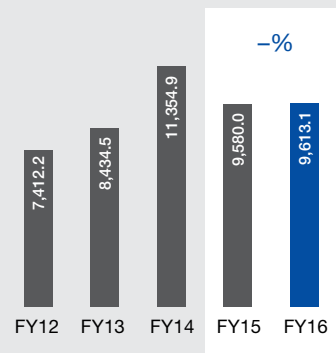
Shareholders' Fund
S\$ millions



Stock Exchange Prices³
S\$



Market Capitalisation³
S\$ millions



EMBEDDED VALUE

EMBEDDED VALUE

An actuarial embedded value is a commonly used technique to assess 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 profitable insurance policy may involve accounting losses in the initial policy years and higher accounting profits in later years that will make the policy profitable overall. The loss in the initial years 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 assess 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 2016. The cash flows represent a deterministic projection, using best estimate assumptions of 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, represent 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 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 within our insurance group, the present value of profits arising in LGI from the fees paid by Singapore Life Fund is included in the embedded value and new business value of the Group for the year ended 31 December 2016.

ADJUSTED SHAREHOLDERS' FUND

This represents the value of assets over and above that required to meet statutory reserves, capital requirements and other liabilities.

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 5.6%, 4.8% and 7.0% for participating fund, non-participating fund and linked fund respectively. The risk-adjusted discount rate used is 7.25% 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 2016 are as follows:

Embedded Value (S\$ millions)	Singapore	Malaysia	Total
Life Business Value of In-Force Business	4,048	2,006	6,054
Shareholders' Funds and Non-Life Business Adjusted Shareholders' Funds	5,220*	420 [^]	5,640
Total Embedded Value	9,268	2,426	11,694

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

[^] 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 2016 has been calculated as follows:

Values (S\$ millions)	Singapore	Malaysia*	Other Asia**	Total and GETB
Economic Value of One Year's New Business	308	141	17	466

* Excludes GETB.

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

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 2015 analysis results.

	Embedded Value 2015	Opening Adjustment	Operating Assumption Changes	Returns on Shareholders' Funds/Other Businesses	Expected Return on in-Force Business	Value of New Business Written*	Operating Experience Variances	Economic and Non-Operating Variances	Dividends Paid	Embedded Value 2016
2016	11,001	34	(78)	183	445	449	17	(97)	(260)	11,694
2015	10,436	0	53	26	421	371	159	(205)	(260)	11,001

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

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	11,694	12,125	11,229	11,110	12,329
Economic Value of One Year's New Business	466	498	437	418	523

BUSINESS REVIEW SINGAPORE



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

Collectively, these businesses registered S\$691.0 million in total weighted new business premiums. This was an 11% year-on-year growth compared to S\$623.6 million in 2015. New business embedded value for the year grew 25% to S\$307.5 million. Our General Insurance business grew by 4% to S\$110.2 million in gross written premiums.

Our customer-centric strategies focused on reinforcing our LIFE company purpose and offering our customers unique value propositions, innovative products, service excellence and a differentiated customer experience.

To further drive customer engagement, we harnessed our Live Great Programme to roll out innovative initiatives to encourage customers to live healthier and better which succeeded in building greater brand affinity and loyalty.

HARNESSING TECHNOLOGY TO DRIVE BUSINESS GROWTH AND ENHANCE CUSTOMER EXPERIENCE

Today's customers are more empowered and connected than ever and have access to information anywhere, any time.

Leveraging big data and our analytics capabilities, we were able to gather greater customer insights and have a deeper understanding of our customers' buying habits and lifestyle

preferences. This enabled us to deliver more targeted and compelling propositions to individual customers.

Armed with these insights, we preselected customers from our large customer database, and utilising edGE, our customer relationship management system, we worked in tandem with our distribution representatives to successfully offer our innovative *Early Cancer Care* product to 15,000 existing customers to augment their protection coverage.

Harnessing data visualisation tools to integrate our vast data, we were able to generate greater business insights. This has enabled us to share reports and data for analysis more quickly and efficiently across the organisation, facilitating greater collaboration across departments and divisions.

With the enhancement of e-Connect, our customers now have an integrated view of their insurance portfolio combining Group, General and Life insurance. Besides enquiring on service and the status of their claims, customers can also perform selected services and transactions online 24/7 on demand and "on the go" with their preferred digital devices – mobile, tablets and personal computers.

With our new point-of-sale auto-underwriting system, underwriting turnaround time has improved significantly which has enhanced customer experience and boosted overall productivity.

Great Eastern was the first to launch an electronic payment system within the industry. With ePAY and its added



convenience of a cashless and more secure mode of payment, our customers will find it more seamless to transact and buy from us.

We further upgraded our website to be more user-friendly, interactive and informative. Features such as 'Find Your Life Planner', where customers can match profiles and select a planner of their choice, as well as other easy-to-use financial planning tools were well received.

BUILDING BRAND AFFINITY AND CUSTOMER ENGAGEMENT

Our signature Great Eastern Women's Run continued to be the blue-riband run for women in the region, capturing more awards during the year, including the prestigious Best Sports Event of the Year (Local) at the Singapore Sports Award 2016.

Elite runners from Asia, including five Olympians who represented their countries in the Rio 2016 Olympics, were among the 15,000 participants who thronged the picturesque Marina Bay area for the Run.

To further engage the runners and help them prepare for the Run, fringe activities, including running clinics and a Live Great Mega Dance Fiesta were organised.

The third edition of our #RuntoLiveGreat programme, targeted at helping first-time runners, attracted good response, with many posting and sharing their progress on Facebook which added to the social buzz.

We worked with the S.League to hold football clinics for needy children as well as an amateur league for our agency leaders, corporate guests, undergraduates from institutions of higher learning and customers.

Another community initiative was our collaboration with KK Women's and Children's Hospital to sponsor the Guinness World Record feat for the 'Largest Reunion of People Born at the Same Hospital'.

Some 40 Live Great workshops and seminars on a wide range of health and wellness topics were organised for parents with young children, a key customer segment for us.

MEETING CUSTOMER NEEDS WITH INNOVATIVE PRODUCT SOLUTIONS

In 2016, we further enhanced our product suite with differentiated solutions to meet our customers' needs.

We launched *Early Cancer Care* and *FlexiLife Early Multiplier* which offer enhanced early cancer and critical illness coverage. Both plans attracted good take-up, in particular *Early Cancer Care*, with its attractive benefits and no medical underwriting requirement.

To provide affordable simple term coverage to different segments of customers, we rolled out competitively-priced term plans which our customers can purchase through our various channels, including the direct channel.



With rising healthcare costs an ongoing concern, we launched *Supreme Health Standard* plan, one of the most affordable ‘no-frills’ plans in the market which provides the option of Class B1 coverage at public hospitals.

We also expanded our retirement planning solutions with *Prime Life Rewards 5* which offers lifetime guaranteed monthly payouts after a fixed annual premium 5-year paying period.

On the bancassurance front, we continued to build on the good momentum of our successful partnership with OCBC Bank. To better serve the bank’s various customer segments, we worked jointly with the bank to introduce innovative products. These included *MaxEdu Goal*, *MaxAdvance Payout*, *MaxAdvantage 8* and popular single premium products such as *Single Premium Special 1.88%*.

BOOSTING AND GROWING DISTRIBUTION CAPABILITIES

In 2016, we strengthened our omni-channel distribution model comprising tied agency force, financial advisory firm Great Eastern Financial Advisers (GEFA), our bancassurance partnership with OCBC Bank and Direct Channel.

A key area of focus was to further enhance professionalism and increase productivity. We continued to invest in upgrading our advisory, analytical and sales tools which enabled our distribution representatives to engage customers more effectively and efficiently on a needs-based approach.

As part of our continuous efforts to develop a well-qualified distribution force, we conducted best-in-class training programmes at our Centre for Excellence as well as expanded

e-learning modules to sharpen core competencies and prepare our force to comply with Financial Advisory Industry Review (FAIR) recommendations.

To meet the revised Continuous Professional Development requirements, we collaborated with the Wealth Management Institute to launch an online training module on Ethics and Rules and Regulations.

We grew the force organically to over 3,500 representatives. A key strategy was to engage undergraduates from the major local universities through campus sponsorship initiatives and structured programmes to introduce them to the financial services industry.

GEFA, which celebrated its fifth anniversary, has grown to be the largest financial advisory firm in Singapore. In tandem, its business and customer base have grown significantly since its establishment.

GEFA’s Premier Client Group (PCG) continued to offer affluent customers a compelling value proposition. Leveraging the best of GEFA and OCBC Premier Banking, PCG customers have ready access to specially trained consultants who provide holistic solutions from the best of both worlds.

Our bancassurance strategy continued to be anchored on our synergistic partnership with OCBC Bank and provided additional avenues to cross-sell and up-sell our suite of traditional and innovative products to an extended customer base.

We enhanced the Financial Protection Specialist (FPS) scheme and increased the number of specialists which



enabled us to reach out to more of the bank's customers with our protection solutions.

With the opening of our office in Westgate Tower, we extended our distribution network to better serve a population of an estimated one million in the West.

Dedicated counters were set up in two of our main service centres in Great Eastern Centre and Great Eastern Changi for distribution representatives to obtain prompt advice and assistance on claims enquiries and submissions, enabling them to provide more timely responses and updates to customers.

We added another dimension to our Direct Channel. Customers who prefer to purchase insurance directly without going through a financial advisor can now purchase basic insurance products online in addition to over-the-counter.

ENHANCING OUR GROUP INSURANCE PROPOSITION

Our Group Insurance customer proposition continued to be anchored on the 3Cs – choice, convenience and comprehensive coverage.

Our corporate clients can select from our suite of medical plans – *LiveGreat*, *SupremeCare* and *PrimeCare* – for their employees based on the company's needs and budgets. The plans provide comprehensive coverage, including consultations and treatments at outpatient and specialist clinics, diagnostic and radiological services as well as in-hospital care.

As an added convenience for employees covered under our *LiveGreat* medical plan, we launched a mobile app which

they can use to locate panel clinics within their vicinity, request for Letter of Guarantee and personalised e-cards for cashless payment at panel clinics as well as submit scanned receipts for outpatient claims.

We automated the processing of policies and claims payment as well as the screening of customers. This significantly reduced manual work and manpower cost while increasing productivity.

In addition, we ramped up our support for the distribution force to equip them to better serve customers. Arrangements were also made for onsite consultations with potential clients to showcase our Group Insurance solutions.

GROWING OUR GENERAL INSURANCE BUSINESS

Our General Insurance business registered stable growth, supported by our collaboration with OCBC Bank to deliver solutions to both consumer banking and business banking customers.

A key strategy was to transform the business by leveraging our rich database and customer analytics capabilities as well as extending our existing services into new digital channels to better serve customers in this hyper-connected world.

Through Web Application Programming Interface (API), we were able to capture new business opportunities while delivering better value and experience to our customers and their employees as well as our affinity partners. We successfully piloted API with major affinity partners, including OCBC Bank, for travel insurance. We will be scaling up our digitisation efforts as we continue to expand our value proposition.

BUSINESS REVIEW MALAYSIA



Our Malaysian operations built on its good growth momentum from the previous year and delivered a robust set of results. We continued to be a market leader in the conventional Life insurance business. Our takaful business registered steady growth and improved its market position.

Total weighted new business from Great Eastern Life Assurance (Malaysia) Berhad (GELM) and Great Eastern Takaful Berhad (GETB) grew 18% to RM1,123.9 million (S\$362.4 million) compared with RM948.6 million (S\$305.9 million) in 2015. New business embedded value for the year grew 16% to RM476.0 million (S\$153.5 million).

The robust performance was driven by continued demand for regular premium investment-linked products, strong growth in Group Insurance for both Employee Benefits and Group Multiple Benefits Insurance Scheme and the continued success of bancassurance partnership with OCBC Bank as well as growth in takaful agency and bancatakaful sales.

Overseas Assurance Corporation (Malaysia) Berhad (OACM), our General Insurance arm, achieved RM430.2 million (S\$143.9 million) in gross written premiums.

STRENGTHENING CUSTOMER ENGAGEMENT WITH LIVE GREAT EVENTS

We continued to reinforce our LIFE company purpose and leveraged events under our Live Great Programme to further inspire Malaysians to live healthier and better.

Our sponsorship of the Amazing Race Asia Season 5 has increased our brand visibility across the region and provided a good platform to extend our online and on-ground presence through a series of The Great Adventure contests in Klang Valley, Johor Bahru and Penang. Held in conjunction with the Amazing Race, the contests featured physically and mentally demanding challenges which participants had to complete in the shortest time possible.

We were also the title sponsor of The Great Eastern Viper Challenge 2016 which was held over three legs, at Shah Alam Stadium, Genting Highlands and Sepang International Circuit respectively. Close to 40,000 participants pitted their strength and endurance in one of Asia's most gruelling obstacle events. The third leg drew a huge crowd of 15,000 participants and set a record in the Malaysia Book of Records for the 'Largest Participation in an Obstacle Challenge'.

Our signature Live Great Run took on an added dimension. Coloured foam and adrenaline-pumping music, Zumba workouts, interactive games and free health screenings were the highlights of the Great Eastern Bubble Dash Run which attracted 15,000 participants in Kuala Lumpur and Penang.

Our fifth year sponsorship of The Star FitForLife health fair, one of the largest of its kind, provided a good platform to promote health and wellness to 60,000 visitors who thronged the three-day fair.



LEADING IN PRODUCT INNOVATION

Our product strategy continued to centre on delivering superior value propositions to our different customer segments.

Industry statistics show that 1 in 4 Malaysians develop cancer by the age of 75. We launched *Great Early Cancer Care* which provides lump sum cash benefit from the early stages of cancer. This early payout serves to alleviate financial burden and provide more possibilities for the policyholder, such as opting for experimental treatments or securing their children's education fund.

In recognition of longer life expectancies and the increasing cost of private healthcare, we extended the coverage of *SmartMedic* and *SmartMedic Xtra* to age 99 for the benefit of our policyholders. We also launched *Great Treasure 8*, a savings plan to cater to the mass and affluent markets to meet their wealth accumulation needs.

On the bancassurance front, we continued our synergistic partnership with OCBC Bank to launch *Cash Plus* and *Cancer Protector*. Both plans attracted good take-up.

We also teamed up with the bank to issue the first-of-its-kind life protection rewards scheme for credit card holders. In lieu of rebates, the revamped OCBC Great Eastern Credit Card offers RM100,000 insurance protection against death or total permanent disability.

STRENGTHENING OUR FORCE

Our focus to boost the professionalism and productivity of our agency force as well as to grow the force has reaped good results.

A record 2,575 achievers, the highest number in GELM's history, qualified for our Supremacy Summit which recognises top performers. Over 2,800 graduates to date have benefitted from our flagship Life Planning Advisors (LPA) certification programme which enhances advisory skills and boosts competencies to meet the evolving needs of customers.

We worked with 10 local and private universities to reach out to undergraduates to promote the merits of a career in financial planning with Great Eastern. This initiative succeeded in attracting a good number to pursue a career with the company.

GROWING OUR GENERAL AND GROUP INSURANCE BUSINESS

We partnered OCBC Bank to offer *TravelMate*, a travel insurance plan which customers can conveniently purchase online. For a nominal additional premium, policyholders can enjoy optional add-on coverage for activities such as golf and adventure trekking.

OACM leveraged the extensive POS Malaysia 700-branch network across the country to grow its motor insurance business. In tandem, two new personal accident products – *POS Great Ride* and *POS Great Drive* – were launched.



Detariffication allows insurers to adopt risk-based pricing on products for which premiums will be priced according to differentiated risk profiles of consumers. With the first phase of the liberalisation of motor insurance tariffs, we have enhanced our motor insurance package. In the next phase of our preparations, we will be investing in technology to build sophisticated pricing mechanisms to facilitate optimum pricing for our motor insurance plans.

To improve service levels, we set up an online customer support system to handle enquiries received through digital and social media platforms.

To make it more convenient for customers, we introduced an auto-renewal and auto-debit feature for our personal accident products. Steps were also taken to collaborate more closely with the agents which has improved claims turnaround time.

On the Group Insurance front, we continued to provide a wide range of Employee Benefit solutions to help companies attract, retain and keep their employees healthy. With its comprehensive protection against loss of life, total permanent disability, accident and the 36 critical illnesses, and attractive investment benefits, our Group Multiple Benefit Insurance Scheme continued to register good traction.

Our partnership with Generali Pooling Network enabled us to further penetrate the competitive Employee Benefits market.

GROWING OUR TAKAFUL BUSINESS

In 2016, Great Eastern Takaful Berhad (GETB) intensified efforts to grow its agency channel and succeeded in recruiting 2,100 agents. In addition, we stepped up efforts to boost overall agency activity and productivity ratios

which contributed to new business growth. The expanded distribution capabilities will enable us to further penetrate and serve the underinsured and fast-growing Islamic insurance market in Malaysia.

Our bancatakaful collaboration with our bank partners continued to grow from strength to strength. With the partnership, we were able to reach out to new market segments with innovative medical and investment-linked products.

GETB was one of several takaful operators appointed on the panel for Lembaga Pembiayaan Perumahan Sektor Awam (Public Sector Home Financing Board) to provide Mortgage Reducing Term takaful coverage to government staff.

With the enhancement of our Employee Benefits to include group hospitalisation and surgical as well as critical illness plans, we now provide one of the most comprehensive and competitive offerings in the market.

In the third quarter of the year, GETB launched Berjaya Bersama, a campaign to increase awareness of takaful amongst the public.

A major campaign initiative was the Berjaya Bersama Story where the public was encouraged to submit stories via our Facebook. The contest garnered over 12 million views. Winning stories were compiled into a video which was launched at the event and posted on GETB website and Facebook.

The Berjaya Bersama Photo Challenge was also a good success. We collaborated with Mercy Malaysia to donate RM10 towards the cause for each photo submitted which added another meaningful dimension to the campaign.

BUSINESS REVIEW EMERGING MARKETS



INDONESIA

Our strategy for PT Great Eastern Life Indonesia (GELI), our Indonesian subsidiary, anchored on building a quality and sustainable business.

A key focus was to deepen our collaboration with OCBC NISP and leverage the bank's customer base of Commercial, Emerging Business and Consumer Banking customers to provide insurance solutions.

To further penetrate and better serve different customer segments, GELI rolled out products which added to our suite of solutions, including *EduPro* where the unique feature is a special scholarship payout.

With *Super InvestLink Plan 101* and *Great Optima Link 102*, we were the first in the market to offer high investment allocation at 101% and 102%. Both products are targeted at helping customers achieve their wealth accumulation goals.

Another priority was to build a quality pool of Financial Advisors. Towards this end, our enhanced career development scheme succeeded in attracting and recruiting good talent.

Regular training sessions were conducted to boost professionalism, advisory skills and product knowledge. During the year, we ramped up sales activities which increased productivity and activity ratios.

In tandem, GELI strengthened processes and support services which further enhanced operational efficiency and improved service turnaround time.

During the year, the health seminars we conducted as part of our Live Great Programme initiatives were well received by our corporate partners.

To support long term growth, we upgraded our core life operating system to be aligned with our operations in Singapore and Malaysia. This has enhanced our capabilities to roll out similar successful products from these markets to our customers more speedily and seamlessly.

BRUNEI

To expand our distribution capabilities, Great Eastern Life Brunei (GELB) embarked on a bancassurance partnership with Baiduri Bank, the oldest local bank in Brunei and one of the largest providers of financial products and services. With this collaboration, we were able to extend our reach to new customers, in particular young professionals, managers and executives.

On the agency front, to enhance professionalism, training programmes were restructured to boost product knowledge and financial advisory skills. We also geared up recruitment efforts and grew the force.

Several initiatives were implemented to enhance customer engagement. We revamped our website and added user-friendly features, including financial calculators and Live Great articles.

We also took the opportunity of major festive occasions to organise Live Great gatherings for customers, business partners and agency force. This boosted affinity to our brand and deepened our relationship with key stakeholders.

HUMAN CAPITAL



Great Eastern is committed to being an employer of choice and to nurturing an engaging and dynamic environment to bring forth the best in our people as we strive towards a high-performance culture.

Recognising that an engaged workforce is key to our success and competitive advantage, in 2016, our People Strategy focused on capability-building and cultivating a motivated workforce.

GREAT EASTERN CAREER FRAMEWORK

Emphasis was placed on capability development to enable our employees to perform at high levels in a rapidly changing working environment. This included developing competencies, skills and knowledge not only to achieve current business goals but also to meet future challenges and build capacity for change.

During the year, the Great Eastern Career Framework was implemented across the Group. The framework provides greater transparency and visibility to all employees vis-à-vis their career paths and opportunities, while at the same time facilitating management of cross-functional and divisional employee rotation.

The framework offers more structured and targeted learning and customised development for every individual

employee, empowering them to take ownership of their career development as they pursue their aspirations with the company.

MOVING TOGETHER AS ONE

In the third quarter of 2016, with the Group's organisational transformation, staff townhalls were held to communicate the new structure and the refreshed organisational strategic direction.

To augment this, for the first time, our Making Life Great (MLG) Workshops were organised on an inter-country level, bringing together employees from Singapore, Malaysia and Indonesia, onto a common platform for open dialogues and team building activities.

This boosted cross-functional sharing and exchanging of ideas on how employees, individually and as teams, can better 'Move Together As One' to address the new business priorities and goals and further build a collaborative work culture.

LIFE PROGRAMME

As a LIFE company, Great Eastern places the wellbeing of our employees at the centre of what we do.

Through our LIFE Programme, we continued to motivate and incentivise our employees to take charge of their health.



LIFE ambassadors and coordinators were appointed to champion and organise health and wellness activities throughout the year at the branch, department and division levels.

In Singapore, initiatives were held to encourage employees to move towards the healthy 'green zone' with a Go Green, Move More campaign.

The four-month campaign featured specially curated activities to improve cardio vascular fitness. These included a lateral brisk walk challenge to iconic attractions around the business district; kickboxing, Zumba and aerobics workouts as well as a vertical stair-climbing challenge.

Employees earned LIFE points for participation for which they can use to redeem products and services offered by merchants under our Live Great Programme, fund premiums for insurance plans purchased from the company as well as for medical, dental and optical treatments and products. The points can also be used to benefit immediate family members.

In Malaysia, a myriad of activities was also organised to help employees pursue an active lifestyle. In the 'Race Against Time', employees participated in an exciting treasure hunt while the PokeHunt, Towerthon and Zombie Run held on Live Great Fridays proved equally popular.

Talks on health and nutrition and good lifestyle habits also attracted good turnouts, with employees benefitting from the advice and tips shared by wellness professionals.

Similarly in Indonesia, activities were held regularly to help employees pursue healthy living habits.

Across the Group, participation in the LIFE Programme increased markedly, with three out of four employees participating in the programme. This has resulted in more employees improving their biometric health assessment scores which in turn has contributed to better overall work-life balance.

Our employee engagement initiatives have borne good fruit. The Group's employee engagement score of 79% ranks Great Eastern among the best employers in Asia by Aon Hewitt.

CORPORATE SOCIAL RESPONSIBILITY



At Great Eastern, we leveraged our Live Great events and harnessed our people to volunteer their time and talent to positively impact the communities where we operate. Year round, our community and corporate social responsibility efforts centred on our Live Great philosophy where we championed healthy living, raised funds for those in need and promoted literacy.

LIVING HEALTHY THROUGH SPORTS

In Singapore, our multi-award winning Great Eastern Women's Run, Asia's largest women-only run, attracted 15,000 runners of all ages and walks of life, including girls from as young as three in the Princess Dash.

To reach out to first-time runners, we enhanced our #RunToLiveGreat programme. Participants selected for the programme were given a starter's kit, including running shoes and a fitness tracker, to help them start their journey to better health.

We also leveraged the Run to raise funds for two women related charities – Breast Cancer Foundation and Women's Health Research and Education Fund.

About S\$66,000 was raised through multiple platforms. Our corporate partners sponsored teams for the Corporate Charity Category and donations were further boosted

through the 'Don A Tutu For A Cause' initiative where for a nominal donation, participants were provided tutus to don on race day. For the first time, we collaborated with local fashion label KLARRA to produce an exclusive scarf. Proceeds from the scarf sales were donated to the two charities.

We also leveraged our partnership with the Football Association of Singapore and the S.League to organise football clinics for children from low income families. The children were taught teamwork, perseverance and basic football skills by some of Singapore's football legends.

In addition, 240 children from the Straits Times School Pocket Money Fund and the S.League Club academies participated in a football tournament held in conjunction with the Great Eastern Community Shield, the curtain raiser for the 2016 football season.

Together with OCBC Bank, we jointly hosted over 300 underprivileged children and youths to a Community Day at the iconic Singapore Sports Hub where they had the opportunity to try different sports, including futsal and netball, at the world-class facility.

In Malaysia, we similarly ramped up efforts to encourage and inspire the community to take ownership of their health and adopt an active lifestyle.



The Great Eastern Viper Challenge attracted about 40,000 participants for the three legs of the challenge held at Shah Alam Stadium, Genting Highlands and Sepang International Circuit. Participants were put through gruelling obstacle courses and demanding race routes as they pitted their skills and tested their endurance. The Sepang leg made it into the Malaysia Book of Records for the 'Largest Participation in an Obstacle Challenge'.

Another major Live Great initiative was the Great Eastern Bubble Dash Run in Kuala Lumpur and Penang. The event, which combined fitness and fun, drew 15,000 participants and raised RM152,000 for the Heart Foundation of Malaysia.

In conjunction with the Run, 500 pairs of running shoes were donated to needy children to encourage them to put fitness as a priority.

HELPING THE YOUNG AND ELDERLY

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

In Singapore, close to S\$180,000 was raised for our ChildrenCare and GoldenCare beneficiaries – MINDS Fernvale Gardens School for children with special needs and AWWA Community Home for Senior Citizens. The funds support a multitude of projects, including sports and wellness activities for the children and active ageing for the needy elderly.

In Malaysia, we raised RM165,000 for our ChildrenCare programme through a series of activities held throughout the year. These ranged from a charity book fair to the sale of Sunny Lion coin boxes and raffle draw tickets, to the sale of 'buka puasa' bento boxes to GELM employees and families.

Our employees and distribution representatives also gave their time and effort to organise activities to spread cheer to underprivileged children. A half-day baking class was organised at Young Chefs Academy for underprivileged children from Rumah Charis and House of Joy conducted by a local celebrity chef.

GETB's Sen (Cent) of Life initiative was a good success. RM10,000 was collected from generous employees who contributed their loose change, demonstrating that even the smallest contribution can build up to a large sum and make a meaningful impact. In conjunction, GETB also organised Bazaar Beramal Bersama where staff volunteers manned booths to sell festive goodies to raise funds.

Funds collected were used to build an activity room for the elderly at Pusat Jagaan Rumah Sri Mesra in Ampang. Essentials, including clothing, prayer and food items, electrical appliances and furniture were also collected through a donation drive and given to the elderly. Our OACM colleagues also spent time to befriend and spread cheer to the needy seniors.

CORPORATE SOCIAL RESPONSIBILITY



In Indonesia, we hosted an *Iftar* dinner for orphans from Nusantara Foundation and also distributed school kits and daily necessities to the orphanage.

EMPOWERMENT THROUGH EDUCATION

We recognise the important role education plays in building an inclusive society.

In Singapore, we raised S\$83,000 for the Straits Times School Pocket Money Fund which provides pocket money to children from low-income families to help them through school. The funds are used for school-related expenses, including buying meals and textbooks.

We launched the Great Eastern Life Assurance Bursary to provide financial assistance to deserving students from the Nanyang Technological University. In Malaysia, we awarded scholarships worth RM610,000 to deserving students through the Great Eastern Supremacy Scholarship Award.

GELM's Program Aspirasi Gemilang 'A', in collaboration with Jabatan Kebajikan Masyarakat (JKM) and supported by the Ministry of Women, Family and Community Development, is aimed at inspiring underprivileged children to realise their scholastic potential. The programme has grown from strength to strength. In 2016, a total of RM19,700 was awarded to needy students for achieving 197 A's in the national examinations, a 50% increase compared with the previous year.

GELM partnered Universiti Sains Malaysia, the country's premier research university, to promote financial literacy to its large student population. Talks and visits were organised

for the students who benefitted from learning about the insurance business and career prospects with Great Eastern. We also collaborated with USM on student internships and management trainee programmes.

OACM donated to Yayasan Persatuan Alumni University Malaya to support needy students with day-to-day expenses.

During the year, GETB disbursed about RM75,000 in zakat (tithe) payments to schools in Kelantan and Pahang. Motivational talks were conducted for students while those eligible for financial assistance were given cash for uniforms and school fees. In Pahang, we collaborated with Persatuan Kebajikan Keluarga Miskin to provide students in need in Raub and Mentakab not only with funds but also donated bicycles to their families to ease their financial burden to enable them to focus on the children's education.

With the support of the Ministry of Education, we organised the Bijak Amwal Financial Literacy Programme to educate and raise awareness on Islamic Finance and takaful among school children. The learn-through-play format proved effective. Following the successful implementation of this inaugural edition, we plan to extend the initiative to more schools.

In addition, to raise awareness of the importance of takaful and Islamic finance, GETB contributed a series of media articles as part of its community educational efforts.

In Indonesia, we continued to firmly support OJK (Otoritas Jasa Keuangan) to promote financial literacy to the community. GELI collaborated with Bisnis Indonesia,



Indonesia's largest business newspaper, to conduct financial literacy seminars at companies for their employees.

GELI also participated in an industry initiative helmed by Indonesia Life Insurance Association to renovate and refurbish several school buildings and facilities in Medan.

In Brunei, GELB donated S\$6,000 to Chung Hwa Middle School to help deserving underprivileged students.

OTHER COMMUNITY INITIATIVES

We collaborated with OCBC Bank on joint initiatives to support environmental sustainability. At the coastal clean-up of Pasir Ris beach, over 1,500 kg of debris was collected by the teams and their families. This reinforced the importance of caring for the environment and the need to preserve it for future generations.

To mark Great Eastern's 108th Anniversary, the Great Eastern Life Planners Association held a charity golf tournament and raised S\$68,888 for the Children's Cancer Foundation. The event brought together 108 golfers and was recognised by the Singapore Book of Records for the 'Largest Number of Golfers Teeing Off Simultaneously at a Golf Course'.

We also contributed towards the General Insurance Association's Swing for Charity golf tournament which raised over S\$100,000 for the Movement for the Intellectually Disabled of Singapore and the Society for the Aged Sick.

GELM donated 5,000 umbrellas to Universiti Sains Malaysia which were made available at 270 stations across campuses in Penang, Nibong Tebal and Kelantan on a 'free-for-use'

and 'sharing' basis. This successfully drove home the dual message of the importance of having adequate protection as well as inculcating a culture of sharing.

In Indonesia, we worked with the Indonesia Red Cross to organise a blood donation drive which was enthusiastically supported by GELI employees.



YEAR IN REVIEW HIGHLIGHTS



JANUARY

- GELS launched *MaxEdu Goal*.
- GELM launched *Great Treasure 8*.
- GELM organised a baking class at Young Chefs Academy for underprivileged children.
- GELI launched *EduPro* for parents with young children segment.

FEBRUARY

- GELS opened its new office at Westgate Tower.
- In conjunction with the 2016 Great Eastern Community Shield, GELS raised S\$83,000 for needy school children.
- GELM brought Lunar New Year cheer to underprivileged children in Mid Valley.
- GETB launched its Bahasa Malaysia website.
- GETB commenced a year-long series of educational media articles on takaful and Islamic finance.

MARCH

- GELS topped the Life Insurance Category in the Customer Satisfaction Index of Singapore 2015 Survey.
- GELM won the Industry Excellence Award (Insurance Sector) at the Utusan Business Awards.
- GELM donated 5,000 umbrellas to Universiti Sains Malaysia to promote the importance of adequate protection and a culture of sharing.

- The 1st leg of the Great Eastern Viper Challenge was held at Shah Alam.
- The Great Eastern Supremacy Summit 2015 set a company record for the highest number of achievers.
- GELI launched *Great Optima Link*.

APRIL

- GEFA celebrated its 5th anniversary.
- GELS partnered OCBC Bank for a coastal clean-up in support of environmental sustainability.
- GELM partnered The Star for FitForLife Health Fair which attracted 60,000 visitors.
- GELM celebrated World Health Day at Live Great Space to raise awareness on diabetes.
- GELM garnered two awards at the Human Resources Asia Recruitment Awards 2016.
- GETB launched *i-Great Salam*.

MAY

- GELS launched *Supreme Health Standard*.
- GELM organised a Charity Book Fair to raise funds for its ChildrenCare programme.
- GETB launched Group Hospital & Surgical to augment its Employee Benefits offering.
- GETB's Bijak Amwal Programme promoted financial literacy to school children.

- GETB's Sen (Cent) of Life raised funds for the needy elderly.

JUNE

- The Great Eastern Women's Run captured the Best Sports Event of the Year (Local) at the Singapore Sports Awards.
- GELS and GELM garnered the Reader's Digest Trusted Brand Gold Award.
- GELS launched a bursary at Nanyang Technological University for deserving students.
- GELM contributed gift vouchers to underprivileged children's homes to celebrate Hari Raya Aidilfitri.
- GELM received the BrandLaureate Best Choice Award 2015-2016 for Leadership in Financial Planning and Wealth Management.
- GETB organised Bazaar Beramal Bersama to raise funds for a home for senior citizens.
- GELI hosted an *Iftar* dinner for orphans from Nusantara Foundation and distributed school kits and daily necessities.

JULY

- GELS launched *MaxAdvantage 8*.
- GELM launched *Great Early Cancer Care*.
- GELM garnered Malaysia's Strongest Brand Award 2016 (Insurance sector).



- GETB launched Berjaya Bersama Story Contest.
- GETB launched *M-Tiara Golden Age* in collaboration with Bank Muamalat.
- GELI commenced a series of financial literacy seminars in collaboration with Bisnis Indonesia.
- GELI supported an industry initiative in Medan helmed by Indonesia Life Insurance Association.

AUGUST

- Great Eastern turned 108.
- GELS launched *Early Critical Care*.
- GELM won two awards in the Frost & Sullivan Excellence in Customer Experience Awards 2016.
- GELM awarded scholarships worth RM610,000 to deserving students.
- The 2nd leg of the Great Eastern Viper Challenge was held at Genting Highlands.
- GELI launched *Great Optima Link 102* and *Super Investlink Plan 101*.

SEPTEMBER

- GELS launched *MaxAdvance Payout*.
- GELS and OCBC Bank jointly hosted over 300 underprivileged children and youths to a Community Day at the iconic Singapore Sports Hub.
- The Live Great Mega Dance Fiesta was held to help participants prepare for the Great Eastern Women's Run.

- The Great Eastern Bubble Dash Run 2016 was held in Penang.
- GELM presented cash awards to underprivileged children under its ChildrenCare Program Aspirasi Gemilang 'A'.
- GETB launched Berjaya Bersama, a campaign which brought the brand closer to the community.

OCTOBER

- GELS launched ePay, an electronic payment system.
- GELPA's Charity Golf raised S\$68,888 for Children's Cancer Foundation and set a record for the 'Largest Number of Golfers Teeing Off Simultaneously at a Golf Course'.
- GELS collaborated with KK Women's and Children's Hospital to sponsor the Guinness World Record feat for the 'Largest Reunion of People Born at the Same Hospital'.
- FitForLife health & wellness fair in Penang drew a good crowd.
- GELM was awarded the BrandLaureate Best Choice Industry Brand ICON Leadership Award 2016.
- GELM donated 500 pairs of sports shoes to underprivileged children in conjunction with the Great Eastern Bubble Dash Run 2016 in Kuala Lumpur.
- GELM garnered an award for Best Companies to Work for in Asia 2016 (Malaysia).

- GETB launched *i-Great Mega*.
- GETB commenced its zakat (tithe) disbursement programme to underprivileged students.

NOVEMBER

- The 2016 Great Eastern Women's Run attracted 15,000 participants and raised S\$66,000 for women-related causes.
- GELS launched *FlexiLife Early Multiplier*.
- GELS bagged two gold awards at Marketing Events Awards 2016.

DECEMBER

- GELS Kids@Work focused on the importance of family and culture of giving.
- In conjunction with GELM's sponsorship of The Amazing Race Asia Season 5, it organised a series of The Great Adventure contests.
- The final leg of the Great Eastern Viper Challenge 2016 in Sepang was recognised by the Malaysia Book of Records for the 'Largest Participation in an Obstacle Challenge'.

AWARDS AND ACCOLADES



Across the Group, we received recognition for our customer-centricity, service excellence and our innovative Live Great community initiatives.

These accolades affirm the strength of the Great Eastern brand and reflect the strong teamwork and our commitment to continuously raise standards and go the extra mile for our stakeholders.

SINGAPORE

**Top Insurer (Life Insurance Category)
Customer Satisfaction Index
Singapore 2015**

Institute of Service Excellence
Singapore Management University

Ranked 7th in Top 100 Singapore Brands
Brand Finance

Trusted Brand Gold Award 2016
Reader's Digest

**Asia Pacific's Leader in Insurance
Enterprise Transformation**
Financial Insights Innovation Awards
(FIIA) 2017

Special Events (Gold)
Community Chest Awards 2016

Best Sports Event of the Year (Local)
Singapore Sports Awards 2016
Singapore National Olympic Council

**Best Home-Grown Event (Gold)
Best Targeted Community Event (Gold)
Best Sponsorship Activation (Bronze)**
Marketing Events Awards 2016
Marketing Magazine

Best Use of Experiential/Live Marketing (Silver)

Loyalty and Engagement Awards 2016
Marketing Magazine

Singapore Book of Records

Great Eastern 108th Anniversary
Charity Golf
For the largest number of golfers teeing off simultaneously at a golf course

MALAYSIA

**BrandLaureate Industry Champion
Brand ICON Leadership Award 2016**
BrandLaureate

**BrandLaureate Best Choice Brand
Award 2015-2016**
(Financial Planning and Wealth
Management category)
BrandLaureate

**Frost & Sullivan Excellence in
Customer Service Awards 2016**
(Health Insurance and Mobile &
Contact Centre categories)
Frost & Sullivan

Trusted Brand Gold Award 2016
Reader's Digest

Insurance Industry Excellence Award
Utusan Business Awards 2015
Kumpulan Utusan

**Malaysia's Strongest Brands Award
2016 (Insurance Sector)**
Y&R BrandAsset Valuation 2016

**Best Candidate Experience (Gold)
Best On-boarding Experience (Gold)**
Asia Recruitment Awards
Human Resources

Best Companies To Work For in Asia 2016 (Malaysia)

HR Asia

Best Employer for Commitment to Effective Leadership

Aon Hewitt

Malaysia Book of Records

Great Eastern Viper Challenge (3rd leg)
*For the largest participation in an
obstacle challenge*

INDONESIA

Good Corporate Governance
2nd Indonesia Good Corporate
Governance Awards 2016
Economic Review Magazine

**Top 10 for Corporate Social
Responsibility, Corporate
Communications and Marketing**

**Best Insurance Public Non-Listed
Company**
5th Indonesia Insurance Awards 2016
Economic Review Magazine

Infobank Unit Link Award
Infobank Magazine and Infovesta
*For GreatLink Equity Fund and
GreatLink Dynamic Fund*

**1st Rank, Most Profitable Investment
Islamic Life Insurance Sharia Unit for
category asset IDR < 150 billion**

**1st Rank, Best Islamic Life Insurance
Sharia Unit for category asset
IDR < 150 billion**

12th Islamic Finance Awards 2016
KARIM Business Consulting

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 upholding the values of 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 and any exemptions thereto (collectively, the “CG Regulations”), as well as the corporate governance guidelines issued by MAS (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

1. The Company’s Board provides strategic direction to, and oversight of the operations of, the Company and the Group. The principal roles and functions of the Board, as set out in the Board charter, include the following:
 - (a) reviewing and approving the overall business strategy as well as the 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 and the objectives of the individual policy funds;
 - (c) ensuring that interests of shareholders, policyholders and other stakeholders are 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 achieve its objectives;
 - (e) ensuring that the Company is operated in accordance with the relevant laws and regulations, as well as policies, processes and guidelines approved by the Board, so as to preserve its financial integrity;
 - (f) reviewing 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 system of 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 capital management strategy, including the optimal allocation of capital resources, and the quality of the risk management processes and reporting;
 - (j) overseeing, through the Nominating Committee, the succession planning for key senior executive positions within the Group, and the 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, so as to uphold fair-dealing standards;
 - (l) providing a balanced and objective 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 with the remuneration framework;

CORPORATE GOVERNANCE REPORT

- (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 meetings of the Board and Board Committees, especially with regards to records of discussions on key deliberations and decisions taken.
2. 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

3. 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 Risk Management Committee. All the Board Committees have been constituted with clear Board-approved terms of reference.
4. 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 principal roles and 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 circulated to the Board.

Meetings and Directors' attendance

5. The Board meets regularly during the year to review the business performance and key activities of the Group presented by Management, and to deliberate significant business proposals presented by Management. 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 2016, the Board held seven Board meetings including one Board retreat.
6. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Constitution. 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. Directors are provided with information related to agenda items before each meeting. Directors are also equipped with electronic tablets that allow secured access to Board and Board Committee meeting materials. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial statements, enterprise risk management and audit dashboards, operating plans, forecasts, and reports of variances from operating plans and forecasts.
7. The number of meetings of the Board and Board Committees held in 2016 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 2016

Name of Director	Board (including Board Retreat)			Nominating Committee			Audit Committee		
	No. of Meetings			No. of Meetings			No. of Meetings		
	Scheduled		<i>Ad hoc</i>	Scheduled		<i>Ad hoc</i>	Scheduled		<i>Ad hoc</i>
	Held	Attended	Attended	Held	Attended	Attended	Held	Attended	Attended
Koh Beng Seng	6	6	1	2	2	1	-	-	-
Cheong Choong Kong ⁽¹⁾	1	1	-	1	1	-	-	-	-
Norman Ip	6	6	1	2	2	1	-	-	-
Law Song Keng	6	6	1	-	-	-	4	4	-
Lee Chien Shih ⁽¹⁾	1	1	-	1	1	-	-	-	-
Kyle Lee Khai Fatt	6	6	1	2	2	1	4	4	1
Soon Tit Koon ⁽²⁾	6	6	1	-	-	-	-	-	-
Tan Yam Pin ⁽³⁾	6	6	1	-	-	-	4	4	1
Samuel N. Tsien ⁽⁴⁾	6	6	1	1	1	1	-	-	-
Wee Joo Yeow ⁽⁵⁾	6	6	1	1	1	1	-	-	-

Name of Director	Remuneration Committee			Executive Committee		Risk Management Committee	
	No. of Meetings			No. of Meetings		No. of Meetings	
	Scheduled		<i>Ad hoc</i>	Scheduled		Scheduled	
	Held	Attended	Attended	Held	Attended	Held	Attended
Koh Beng Seng	1	1	2	4	4	6	6
Cheong Choong Kong ⁽¹⁾	-	-	-	1	1	-	-
Norman Ip	1	1	2	4	4	-	-
Law Song Keng	-	-	-	4	4	6	6
Lee Chien Shih ⁽¹⁾	1	1	-	-	-	-	-
Kyle Lee Khai Fatt	-	-	-	-	-	-	-
Soon Tit Koon ⁽²⁾	-	-	-	-	-	6	6
Tan Yam Pin ⁽³⁾	-	-	-	-	-	2	2
Samuel N. Tsien ⁽⁴⁾	-	-	-	3	3	6	5
Wee Joo Yeow ⁽⁵⁾	1	1	2	-	-	-	-

Notes:

- ⁽¹⁾ Cheong Choong Kong and Lee Chien Shih stepped down as Directors on 19 April 2016.
- ⁽²⁾ Appointed as Director and Member of Risk Management Committee on 1 January 2016.
- ⁽³⁾ Stepped down as Member of Risk Management Committee on 20 April 2016.
- ⁽⁴⁾ Appointed as Member of Nominating Committee and Executive Committee on 20 April 2016.
- ⁽⁵⁾ Appointed as Director and Member of Remuneration Committee on 1 January 2016; and appointed as Member of Nominating Committee on 20 April 2016.

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

There were more than 2 Board sessions without Management held in 2016. Directors' attendance at these sessions 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 2016 – Board: 1, Audit Committee: 1, Nominating Committee: 1, Remuneration Committee: 2

CORPORATE GOVERNANCE REPORT

BOARD COMPOSITION AND GUIDANCE

Board Membership

8. The Company's present Board of nine Directors comprises a non-executive Chairman, Mr Koh Beng Seng and eight other non-executive Directors. The eight non-executive Directors are Mr Norman Ip, Mr Law Song Keng, Mr Kyle Lee Khai Fatt, Mr Soon Tit Koon, Mr Tan Yam Pin, Mr Thean Nam Yew, Mr Samuel N. Tsien and Mr Wee Joo Yeow. Board members do not appoint alternate directors as a matter of practice.
9. Mr Soon Tit Koon and Mr Wee Joo Yeow were appointed to the Board on 1 January 2016 and were re-elected to the Board at the Company's AGM on 19 April 2016 ("2016 AGM") pursuant to the Company's Constitution.
10. Mr Thean Nam Yew was appointed to the Board on 5 January 2017 and will be subject to re-election at the Company's AGM on 18 April 2017 pursuant to the Company's Constitution.
11. Dr Cheong Choong Kong and Mr Lee Chien Shih stepped down from the Board at the 2016 AGM.
12. All appointments and re-appointments of Directors of the Company are subject to approval by MAS.

Key information on Directors

13. Key information on each Director is set out under the sections "Board of Directors" and "Further Information on 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' Statement. 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.
14. Key information on each Director of the Company's principal insurance subsidiaries in Singapore, namely, The Great Eastern Life Assurance Company Limited ("GEL") and The Overseas Assurance Corporation Limited ("OAC") is also set out under the section 'Board of Directors' in the Company's Annual Report.

Board Composition and Independence

15. 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.
16. Under the CG Regulations, 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.
17. The Company's Board comprises a majority 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 Norman Ip, Mr Law Song Keng, Mr Kyle Lee Khai Fatt, Mr Soon Tit Koon and Mr Thean Nam Yew.
18. Under the CG Regulations, Mr Koh Beng Seng and Mr Tan Yam Pin are deemed non-independent as they have served for more than nine years on the Board. However, they are independent from the substantial shareholder of the Company, and management and business relationships with the Company and its subsidiaries.
19. Mr Wee Joo Yeow sits on the board of OCBC Bank and hence, under the CG Regulations, is not independent from the substantial shareholder of the Company. As Mr Wee Joo Yeow is an independent Director of OCBC Bank, he has been determined by the Nominating Committee to be independent from management and business relationships with the Company and its subsidiaries.
20. Mr Samuel N. Tsien is a non-independent Director as he is the Group Chief Executive Officer and Executive Director of OCBC Bank.
21. The current Board complies with the requirements on Board composition and Board independence under the CG Regulations. Five out of nine of the Board members are independent Directors and eight out of nine Directors are independent from management and business relationships with the Company and its subsidiaries.

CORPORATE GOVERNANCE REPORT

22. The Board, through its Nominating Committee, is of the view that the current Board size is appropriate to facilitate effective decision making, taking into account the scope and nature of the operations of the Company and the Group.
23. 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, technology, transformation 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.
24. With the knowledge, objectivity and balance contributed by the non-executive Directors, the Board constructively challenges and enhance proposals on strategy, reviews the performance of Management against agreed goals and objectives, and monitors the reporting of performances.
25. The non-executive Directors met more than twice during the year without the presence of Management to discuss matters such as the performance and effectiveness of Management.
26. The Board meetings, 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 the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management.
27. The Group CEO manages the Company and oversees the Group's operations and implementation of the Group's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Group's businesses, including implementing 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.
28. The Board has not appointed a Lead Independent Director as the Chairman and the Group CEO are already separate persons, are not related to each other and the Chairman is not involved in the day-to-day running of the Company's business and operations. The Chairman is independent from the substantial shareholder of the Company, and management and business relationships with the Company and its subsidiaries. He is also independent of the Management and performs an effective check and balance on the Management. The Board has a majority of independent directors and the directors are able to exercise independent and objective judgment. As part of its continuous assessment of corporate governance standards, the Board will appoint a Lead Independent Director when the Board situation warrants it.
29. The Board has not appointed a Lead Independent Director as the Chairman and the Group CEO are already separate persons, are not related to each other and the Chairman is not involved in the day-to-day running of the Company's business and operations. The Chairman is independent from the substantial shareholder of the Company, and management and business relationships with the Company and its subsidiaries. He is also independent of the Management and performs an effective check and balance on the Management. The Board has a majority of independent directors and the directors are able to exercise independent and objective judgment. As part of its continuous assessment of corporate governance standards, the Board will appoint a Lead Independent Director when the Board situation warrants it.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

26. The roles of the Chairman, Mr Koh Beng Seng, and the Group Chief Executive Officer ("Group CEO"), Mr Khor Hock Seng, are distinct and separate, with a clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Company has Board-approved internal guidelines setting out the scope of authority of the Chairman and the Group CEO. The Chairman and the Group CEO are not related to each other.
27. The principal responsibilities of the Chairman include leading the Board to ensure it effectively discharges its roles and responsibilities, approving agendas of

PROCESS FOR APPOINTMENT OF NEW DIRECTORS

NOMINATING COMMITTEE

30. The Nominating Committee is required to comprise at least five Directors, with at least one-third of Directors being independent Directors (including the Nominating Committee Chairman) and at least a majority being independent from management and business relationships.

CORPORATE GOVERNANCE REPORT

31. The Nominating Committee comprises the following Directors:

- Mr Norman Ip, Chairman
- Mr Koh Beng Seng, Member
- Mr Kyle Lee Khai Fatt, Member
- Mr Samuel N. Tsien, Member
- Mr Wee Joo Yeow, Member

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

33. The appointment of Nominating Committee members is subject to the prior written approval of MAS.

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

35. The Nominating Committee has a key role in carrying out the formal and transparent process established for the appointment and re-appointment of Directors to the Board. Taking into account the competencies and skills 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.

36. 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 to ensure that each Director remains qualified for the office based on the above criteria.

37. The Nominating Committee held a total of three meetings in 2016.

Re-nomination and Re-election of Directors

38. 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 Constitution. In accordance with the Company's Constitution, 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 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

39. A formal appointment letter will be issued to every new Director. 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, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Group CEO and senior management executives will brief new Directors on the Group's principal activities and the induction programme will be tailored to the specific development needs of the new Directors. 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.

CORPORATE GOVERNANCE REPORT

40. 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. Industry-related and 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 professional organisations including programmes conducted by the Singapore Institute of Directors where relevant.

41. The Company arranges for and funds the training and development programmes for existing and new Directors. The Company also maintains formal records of the training and development received by its Directors.

42. Continued development programmes arranged by the Company for Directors in 2016 included the following subjects:

- An Insurance Company's Innovations in the Internet Era
- Anti-Money Laundering/Countering the Financing of Terrorism
- Black Swans – Predicting the Unpredictable
- Cyber Security Awareness
- Disruptive Technologies for Directors
- Improving Board Risk Oversight Effectiveness
- Masterclass – Boardroom Evaluation
- Of Enron, Entanglement and Enlightenment
- SGX's Sustainability Reporting Requirement
- The State of Corporate Governance Disclosure in Singapore

BOARD PERFORMANCE

43. 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. The assessment of the contributions of individual directors to the effectiveness of the Board is also performed annually. Such assessments are made against established performance criteria consistent with those approved by the Board and used in the previous year. The purpose of the evaluation is to increase the overall effectiveness of the Board. The Board has found the evaluation process useful and constructive since its implementation 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.

44. Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Directors provide declarations of changes in their other appointments which are disseminated to all Board members. 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

45. 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. For matters requiring approval, information furnished by Management 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 present at the meeting during discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board and Board Committees 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.

CORPORATE GOVERNANCE REPORT

46. Information furnished to the Board on an on-going basis includes the forecasts, monthly Group financials and 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 business plans/budgets. Management also provides the Board with information on potentially material risks facing the business including credit, market, liquidity and operational risks.
47. Directors have separate and independent access to the Company Secretary and to senior management executives of the Company and the Group at all times.
48. 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 flow within the Board and Board Committees and between senior management executives 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.
49. The Directors may take independent professional advice as and when necessary to enable them to discharge their duties effectively. Similarly, the Board and Board Committees may obtain the professional advice, whenever necessary and appropriate, so as to effectively discharge their roles and responsibilities.
50. Information furnished to the Board on an on-going basis includes the forecasts, monthly Group financials and 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 business plans/budgets. Management also provides the Board with information on potentially material risks facing the business including credit, market, liquidity and operational risks.
51. Directors have separate and independent access to the Company Secretary and to senior management executives of the Company and the Group at all times.
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PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

REMUNERATION COMMITTEE

50. Under the CG Regulations, the Remuneration Committee is required to comprise at least three Directors, with at least one-third of Directors, being independent Directors (including the Remuneration Committee Chairman) and at least a majority being independent from management and business relationships.
51. The Remuneration Committee comprises the following Directors:
- Mr Norman Ip, Chairman
 - Mr Koh Beng Seng, Member
 - Mr Wee Joo Yeow, Member
52. All the members are independent from management and business relationships. Mr Norman Ip is an independent Director under the CG Regulations.
53. 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 Directors and senior management executives.
54. The responsibilities of the Company's Remuneration Committee are set out in its Board-approved terms of reference. The Remuneration Committee's principal responsibilities 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 executives, 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 Directors and senior management executives without being excessive.
55. 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.
56. 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.
57. In 2016, 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.

CORPORATE GOVERNANCE REPORT

58. The Remuneration Committee held a total of three meetings in 2016.

Remuneration of non-executive Directors

59. 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.

60. 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.

61. The Remuneration Committee has considered the market practices for non-executive Directors 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 2016 ("FY2016") as that used in the previous financial year (in the table set out below):

		Annual retainer
Board	Chairman	\$300,000
	Member	\$75,000
Board Committees	Chairman: • Audit Committee • Executive Committee • Risk Management Committee	\$60,000
	Chairman: • Nominating Committee • Remuneration Committee	\$30,000
	Member: • Audit Committee • Executive Committee • Risk Management Committee	\$30,000
	Member: • Nominating Committee • Remuneration Committee	\$15,000
Attendance fees per Board or Board Committee meeting		\$3,000

Remuneration policy in respect of key senior management executives

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

63. The remuneration of the Group CEO 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.

64. 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 all variable compensation payments shall not be fully paid over short periods when risks are realised over long periods.

65. 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

Attendance fees are paid to non-executive Directors to recognise their contributions and time spent in attending meetings.

CORPORATE GOVERNANCE REPORT

bonus and long-term incentives, which are generally paid/awarded once a year.

66. In awarding long-term incentives, including the grant of share options to the senior executives, the Remuneration Committee also takes into account their potential for future development and contribution to the Group.
67. 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.
68. 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 adopted compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it also continues to review its compensation practices on an on-going 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.
69. The Company has identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Company. This group, identified as “Material Risk Takers” comprises the Group CEO and his direct reports, key personnel at business units and senior control staff. Employees who are not senior staff but are identified as “Material Risk Takers” are also included in this group. The Company does not provide any termination, retirement and post-employment benefits to its key management personnel.

Disclosure on Directors' and the Group CEO's remuneration

70. The remuneration of each individual Director and the Group CEO in respect of FY2016 is shown in the table on the next page. Non-executive Directors will be paid Directors' fees totalling \$1,990,000 in respect of FY2016, subject to shareholders' approval at the Company's AGM on 18 April 2017. For the financial year ended 31 December 2015, non-executive Directors were paid Directors' fees totalling \$1,930,000.
71. The Code recommends the disclosure of the individual remuneration of the Company's top five key management personnel as well as their aggregate remuneration. The Board considered this matter carefully and has decided against such disclosure for the time being as it is not a standard business practice to do so, having taken into account the highly competitive conditions for talent in the industry.
72. None of the Directors or the Group CEO had immediate family members who were employees of the Company in 2016.

Share-based incentives

73. 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.
74. 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 31 of the Notes to the Financial Statements and in OCBC Bank's Annual Report. All grants and awards are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Company's risk profile/rating.

CORPORATE GOVERNANCE REPORT

Directors' and the Group CEO's remuneration for FY2016

Name	Total Remuneration (Great Eastern Group) \$'000	Directors' Fees (GEH) \$'000	Directors' Fees (Subsidiaries) \$'000	Salary \$'000	Bonuses ⁽¹⁾ \$'000	Long-term incentives ⁽²⁾ \$'000	Benefits-in-kind ⁽³⁾ \$'000
Directors							
Koh Beng Seng ⁽⁴⁾	549	537	-	-	-	-	12
Cheong Choong Kong ⁽⁵⁾	57	57	-	-	-	-	-
Norman Ip ⁽⁴⁾⁽⁶⁾	481	238	243	-	-	-	-
Law Song Keng	231	231	-	-	-	-	-
Lee Chien Shih ⁽⁵⁾	47	47	-	-	-	-	-
Kyle Lee Khai Fatt ⁽⁷⁾	244	204	40	-	-	-	-
Soon Tit Koon ⁽⁴⁾	159	159	-	-	-	-	-
Tan Yam Pin	160	160	-	-	-	-	-
Samuel N. Tsien ⁽⁴⁾⁽⁸⁾	217	217	-	-	-	-	-
Wee Joo Yeow	140	140	-	-	-	-	-
Group CEO							
Khor Hock Seng	2,523	-	-	1,100	-	1,180	243

Notes:

- ⁽¹⁾ Bonuses comprise variable bonus paid in 2016.
- ⁽²⁾ Represents fair value of grant of shares options under the OCBC Share Option Scheme 2001, award of deferred shares under the OCBC Deferred Share Plan and long-term incentive take-out.
- ⁽³⁾ Represents non-cash-component and comprises housing allowance, car, club, insurance benefits and employer's contribution to the Central Provident Fund.
- ⁽⁴⁾ Includes standard meeting attendance fees for attending Investment Review Working Group meetings as member or observer.
- ⁽⁵⁾ Stepped down as Directors on 19 April 2016.
- ⁽⁶⁾ Mr Norman Ip received Director's fees for his board service in respect of GEH subsidiaries in Singapore and Malaysia.
- ⁽⁷⁾ Mr Kyle Lee Khai Fatt received Director's fee for his board service in respect of a GEH subsidiary in Singapore.
- ⁽⁸⁾ The Director's fee attributable to Mr Samuel N. Tsien is paid to OCBC Bank.

ACCOUNTABILITY

75. 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.
76. 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.
77. 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.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

78. 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.
79. The Audit Committee comprises the following Directors:
- Mr Kyle Lee Khai Fatt, Chairman
 - Mr Law Song Keng, Member
 - Mr Tan Yam Pin, Member
 - Mr Thean Nam Yew, Member
80. All the members are independent from management and business relationships and a majority, being Mr Kyle Lee Khai Fatt, Mr Law Song Keng and Mr Thean Nam Yew, are independent Directors under the CG Regulations. The members are not partners or directors of Messrs Ernst & Young LLP (“EY”), the external auditor and none of them hold any financial interest in EY.
81. Members of the Audit Committee are appropriately qualified to discharge their responsibilities. In particular, Mr Kyle Lee Khai Fatt, Mr Tan Yam Pin and Mr Thean Nam Yew 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 terms of reference which set out the Audit Committee’s authority and duties.
82. 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.
83. The Audit Committee held a total of five meetings in 2016. 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”).
84. The responsibilities of the Audit Committee are set out in its Board-approved terms of reference. The functions performed by the Audit Committee and details of the Audit Committee’s activities during FY2016 included the following:
- 84.1 Reviewed with the internal auditor:
- 84.1.1 their audit plans, their evaluation of the system of internal controls and their audit reports;
 - 84.1.2 the scope and results of the internal audits; and
 - 84.1.3 the assistance given by the officers of the Company and the Group to the auditor.
- 84.2 Reviewed with the external auditor:
- 84.2.1 the audited financial statements of the Company and the Group for the financial year which are prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) and Interpretations of FRS for submission to the Board for consideration and approval thereafter;
 - 84.2.2 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;
 - 84.2.3 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

CORPORATE GOVERNANCE REPORT

- 84.2.4 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.
- 84.3 Reviewed the audited financial statements with Management, including discussion on the accounting policies applied and significant judgments affecting the financial statements. The following key audit matters highlighted in the Independent Auditor's Report on pages 76 to 81 were also discussed with Management and the external auditor:
- 84.3.1 *Valuation of insurance contract liabilities* – The Audit Committee has reviewed the insurance contract liabilities, the key assumptions and judgments made in valuing these liabilities. The Committee considered information on key assumptions such as mortality, morbidity, lapse rate, expense, loss ratio etc. The review included the methodology used in the valuation of the liabilities, rationale for changes to key assumptions during the year and explanation on the variances against past trends.
- 84.3.2 *Valuation of financial investments* – The Audit Committee has reviewed the valuation methodology for investments and the appropriateness of related disclosures. The Committee also held discussions with Management to ensure investment related policies, controls and operation processes are in place for proper valuation of financial investments.
- 84.3.3 *Provision for tax and deferred taxation* – The Audit Committee has reviewed Management's analysis of the changes in tax and deferred tax provision during the year. The Committee also considered the input from Management on the adequacy of the provision.
- 84.4 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.
- 84.5 Reviewed the effectiveness of the internal audit functions of the Company and its principal subsidiaries.
- 84.6 Performed the review of the independence of the external and internal auditors.
- 84.7 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.
- 84.8 Reviewed material and/or special related party transactions and the write-off of material related party transactions as may be required by the relevant regulatory authorities, and recommend to the Board for approval.
- 84.9 Reviewed interested person transactions as may be required by the relevant regulatory authorities as well as transactions that will be disclosed in the Annual Report.
85. 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 FY2016, 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.

No significant issue arose in respect of these items.

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86. 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, EY, the Audit Committee has nominated the re-appointment of EY at the forthcoming AGM. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to its auditor.
87. The Group has also instituted a whistle-blowing policy whereby staff of the Group and external parties may raise concerns on 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/she has acted in good faith.
88. 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.

INTERNAL CONTROLS

89. The Company has in place, self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their systems and processes of internal controls, and their level of compliance with applicable rules and regulations. The results of evaluations are reviewed by senior management executives. The Board has received assurance from the 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.
90. 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 2016, to address the risks which the Group considers relevant and material to its operations.
91. 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

92. The internal audit function ("Group Internal 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 Internal Audit resides in-house and is independent of the activities it audits. Its terms of reference are approved by the Audit Committee.
93. Group Internal 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 Internal 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 Internal 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.
94. The Head of Group Internal Audit reports to the Chairman of the Audit Committee and administratively to the Group CEO. His annual remuneration, evaluation, appointment, resignation and removal are approved by the Audit Committee.

CORPORATE GOVERNANCE REPORT

95. Group Internal Audit is staffed by executives with the relevant qualifications and experience, and the Audit Committee ensures that Group Internal Audit is adequately resourced. Group Internal Audit has unfettered access to the Board, the Audit Committee and senior management executives, where necessary, and has the right to seek information and explanations as well as access to all the Company's documents, records, properties and personnel. Group Internal Audit meets or exceeds the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors.
96. Group Internal Audit reports to the Audit Committee its annual or periodic plan and the proposed areas of audit focus, factors that adversely affect the Group Internal Audit's independence, objectivity or effectiveness and material findings from audits conducted. During the year, Group Internal Audit carried out audits on selected significant business units in the Group, including an audit review of the IT systems. Group Internal Audit's summary of major findings and recommendations and Management's related responses were discussed at Audit Committee meetings. The Audit Committee ensures that procedures are in place to follow up on the recommendations by Group Internal 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**
97. The Risk Management Committee is required to comprise at least three Directors, a majority of whom (including the Risk Management Committee Chairman) 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.
98. The Risk Management Committee comprises the following Directors:
- Mr Koh Beng Seng, Chairman
 - Mr Law Song Keng, Member
 - Mr Soon Tit Koon, Member
 - Mr Samuel N. Tsien, Member
99. 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.
100. 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, including the risk profile, risk tolerance level, and risk and capital management strategy, guided by the overall corporate strategy and risk appetite 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.
101. The Risk Management Committee performs its functions pursuant to its Board-approved terms of reference. Such terms of reference include the review and approval or endorsement of enterprise risk management framework, major policies, charters and strategies for effective risk management, investment management and asset-liability management. The terms of reference also include the review and approval of major risk management initiatives, and the 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, endorsement or approval, as applicable.
102. The Risk Management Committee endorses the appointment and annual appraisal of the Group Chief Risk Officer ("Group CRO"), who reports directly to the Risk Management Committee and the Group CEO. The appointment of the Group CRO also requires the prior approval of MAS. The former Group CRO, Mr Ronnie Tan, was appointed as the Group CFO upon the resignation of Mr Tony Cheong and Mr Raymond Ong has been appointed as the new Group CRO.
103. The Group CRO is responsible for establishing and implementing the Group's risk management framework and processes for identifying, assessing, measuring, controlling, mitigating, monitoring and reporting of risks.

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104. The Group Risk Management Department has adequate resources and is staffed by experienced and qualified personnel who are sufficiently independent to perform their duties objectively. The Group Risk Management Department regularly engages senior management executives to develop enterprise-wide risk controls and risk mitigation procedures.
105. The Risk Management Committee held a total of six meetings in 2016.
106. The Group's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 35 of the Notes to the Financial Statements.

EXECUTIVE COMMITTEE

107. 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.
108. The Executive Committee comprises the following Directors:
 - Mr Koh Beng Seng, Chairman
 - Mr Norman Ip, Member
 - Mr Law Song Keng, Member
 - Mr Samuel N. Tsien, Member
109. The majority of the members are independent from management and business relationships. Mr Norman Ip and Mr Law Song Keng are independent Directors under the CG Regulations.
110. The Executive Committee carries out the functions set out in its Board-approved terms of reference. Such functions consist principally of overseeing the management of the business and affairs of the Company and the Group within the parameters and scope of authority delegated by the Board, and include the review of the Group's policies, strategies, objectives and performance targets, proposed transactions or initiatives of a material nature and any major proposed investment or divestment. The Executive Committee does not take on the functions of the Management. Major decisions of the Executive Committee are submitted to the Board for endorsement and approval.
111. The Executive Committee held a total of four meetings in 2016.

INVESTMENT REVIEW WORKING GROUP

112. An Investment Review Working Group was formed in March 2016 to review recommendations from the Management, with the aim of enhancing the policies and processes on fund management so as to improve the returns of the investment portfolios. The membership of the Investment Review Working Group comprised non-executive Directors of GEH and its principal subsidiaries and the Group CEO. The Investment Review Working Group was chaired by Mr Quah Wee Ghee, a Director from its principal insurance subsidiaries and the GEH Directors who were members of the Investment Review Working Group were Mr Norman Ip, Mr Soon Tit Koon and Mr Samuel N. Tsien. The other members of the Investment Review Working Group were Ms Mimi Ho and Mr Koh Poh Tiong, Directors from its principal insurance subsidiaries. The Investment Review Working Group completed its review in January 2017.

COMMUNICATION WITH SHAREHOLDERS

113. 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 posted on the Company's website. No unpublished price-sensitive information is disclosed on a selective basis.
114. 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.
115. 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.

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116. 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 Constitution provides that shareholders may appoint one or two proxies to attend and speak at the Company's AGM and/or EGM and to vote in their stead. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Company's AGM and/or EGM. This will enable indirect investors, including Central Provident Fund Board's investors to be appointed as proxies to participate at general meetings. 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.
117. Since 2012, the Company has conducted electronic poll voting for all the resolutions passed at the AGM, for greater transparency in the voting process. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders. Detailed results of the votes, showing the number of votes cast for and against each resolution and the respective percentages, are instantaneously displayed at the Company's AGM and subsequently announced via SGXNET on the same day.
118. For the Company's AGM, separate resolutions are set out on distinct issues, such as the proposed 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.
119. At the Company's AGM, all 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. An independent scrutineer is engaged to review the voting process and attend the meetings.
120. 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 made available on the Company's website.

DEALINGS IN SECURITIES

121. The Company has adopted internal codes and policy on dealings in Company's securities in line with the relevant rule set out in the Listing Manual of SGX-ST. As an enhancement of our policies and controls on insider trading, the Company has with effect from the third quarter of 2016, extended the black-out period to include the trading of securities of OCBC Bank. The Directors, executives of the Company and of the Group and employees are advised, and periodically reminded, not to deal in the securities of the Company and OCBC Bank 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 relevant results of OCBC Bank), and for the period commencing two weeks before the announcement of the Company's quarterly results for each of the first three quarters of the financial year (and ending on the date of the announcement of the relevant results of OCBC Bank). The Company will notify Directors, executives of the Company and of the Group and employees of the commencement date for each black-out period. The Company also has a policy against insider trading. Directors, executives of the Company and of the Group and employees are regularly reminded not to deal in securities of the Company, OCBC Bank 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 and OCBC Bank on short-term considerations. Employees with access to price-sensitive information in the course of their duties are instructed to conduct all personal securities transactions through OCBC Bank's stockbroking subsidiary.

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RELATED PARTY TRANSACTIONS

122. 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, monitoring and, where necessary, writing off 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 and/or special related party transactions and the write-off of material and/or special related party transactions are reported to the Audit Committee for review and to the Board for approval.
123. The Company also complies with the SGX-ST Listing Manual on interested person transactions.
124. Details of the Company's related party transactions and interested person transactions during FY2016 are respectively set out in Note 33 of the Notes to the Financial Statements and page 210 of this Annual Report.

ETHICAL STANDARDS

125. 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 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 Group Human Capital Department provides an annual attestation to the Audit Committee that the Code of Conduct has been properly disseminated to all staff.
126. 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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SUMMARY OF DISCLOSURES

Express disclosure requirements in the Guidelines on Corporate Governance for Financial Holding Companies, Banks, Direct Insurers, Reinsurers and Captive Insurers which are incorporated in Singapore (which comprises the Code of Corporate Governance 2012), and the applicable disclosures pursuant to the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015.

Principle and Guidelines	Paragraph Number in Corporate Governance Report
Guideline 1.3 Delegation of authority, by the Board to any Board committee, to make decisions on certain Board matters.	3
Guideline 1.4 The number of meetings of the Board and Board committees held in the year, as well as the attendance of every Board member at these meetings.	5 and 7
Guideline 1.5 The type of material transactions that require Board approval under guidelines.	2
Guideline 1.6 The induction, orientation and training provided to new and existing Directors.	39, 40 and 42
Guideline 1.16 An assessment of how these programmes meet the requirements as set out by the Nominating Committee to equip the Board and the respective Board committees with relevant knowledge and skills in order to perform their roles effectively.	39 and 40
Guideline 2.1 Compliance with the guideline on proportion of independent Directors on the Board.	16 and 17
Guideline 2.3 The Board should identify in the Company's Annual Report each Director it considers to be independent. Where the Board considers a Director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a Director not to be independent, the nature of the Director's relationship and the reasons for considering him/her as independent should be disclosed.	17
Guideline 2.4 Where the Board considers an independent Director, who has served on the Board for more than nine years from the date of his/her first appointment, to be independent, the reasons for considering him/her as independent should be disclosed.	Not Applicable
Guideline 2.6 (a) The Board's policy with regard to diversity in identifying director nominees. (b) Whether current composition of the Board provides diversity on skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) Steps that the Board has taken to achieve the balance and diversity necessary to maximise its effectiveness.	23 and 35
Guideline 2.13 Names of the members of the Executive Committee and the key terms of reference of the Executive Committee, explaining its role and the authority delegated to it by the Board.	108 and 110

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Principle and Guidelines	Paragraph Number in Corporate Governance Report
Guideline 3.1 Relationship between the Chairman and the CEO where they are immediate family members.	Not Applicable
Guideline 4.1 Names of the members of the Nominating Committee and the key terms of reference of the Nominating Committee, explaining its role and the authority delegated to it by the Board.	31, 34 to 36
Guideline 4.4 (a) The maximum number of listed company Board representations which Directors may hold should be disclosed. (b) Specific considerations in deciding on the capacity of Directors.	44
Guideline 4.6 Process for the selection, appointment and re-appointment of new Directors to the Board, including the search and nomination process.	35, 36 and 38
Guideline 4.7 Key information regarding Directors, including which Directors are executive, non-executive or considered by the Nominating Committee to be independent.	8, 13 and 17
Guideline 4.13 Resignation or dismissal of key appointment holders.	11 and 102
Guideline 4.14 Deviation and explanation for the deviation from the internal guidelines on time commitment referred to in Guidelines 4.4 and 4.10.	Not Applicable
Guideline 5.1 The Board should state in the Company's Annual Report how assessment of the Board, its Board committees and each Director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the Company or any of its Directors. This assessment process should be disclosed in the Company's Annual Report.	43
Guideline 6.1 Types of information which the Company provides to independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company, and how frequent is such information provided.	45 and 46
Guideline 7.1 Names of the members of the Remuneration Committee and the key terms of reference of the Remuneration Committee, explaining its role and the authority delegated to it by the Board.	51, 54 and 55
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the Company.	56 and 57

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Principle and Guidelines	Paragraph Number in Corporate Governance Report
<p>Principle 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration.</p>	59 to 69
<p>Guideline 9.1 Remuneration of Directors, the CEO and at least the top five key management personnel (who are not also Directors or the CEO) of the Company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the top five key management personnel (who are not Directors or the CEO).</p>	70 and 71
<p>Guideline 9.2 Fully disclose the remuneration of each individual Director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each Director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives.</p>	70
<p>Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not Directors or the CEO) in bands of S\$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and the other long-term incentives. In addition, the Company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not Directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel.</p>	71
<p>Guideline 9.4 Details of the remuneration of employees who are immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant Director or the CEO. Disclosure of remuneration should be in incremental bands of S\$50,000.</p>	72
<p>Guideline 9.5 Details and important terms of employee share schemes.</p>	73 and 74
<p>Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive Directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met.</p>	65, 66 and 68

CORPORATE GOVERNANCE REPORT

Principle and Guidelines	Paragraph Number in Corporate Governance Report
<p>Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems.</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the Company's internal control and risk management systems.</p> <p>The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems.</p>	89 to 91
<p>Guideline 11.14 Names of the members of the Risk Management Committee and the key terms of reference of the Risk Management Committee, explaining its role and the authority delegated to it by the Board.</p>	98, 100 and 101
<p>Guideline 12.1 Names of the members of the Audit Committee and the key terms of reference of the Audit Committee, explaining its role and the authority delegated to it by the Board.</p>	79, 81 and 82
<p>Guideline 12.6 Aggregate amount of fees paid to the external auditor for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement.</p>	84.6 and 85
<p>Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the Company's Annual Report.</p>	87
<p>Guideline 12.8 Summary of the Audit Committee's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.</p>	81 and 84
<p>Guideline 13.1 Whether the Company has an internal audit function.</p>	92 to 96
<p>Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analysts briefings, investor roadshows or Investors' Day briefings.</p>	115
<p>Guideline 15.5 Where dividends are not paid, companies should disclose their reasons.</p>	Not Applicable
<p>Guideline 17.4 Material related party transactions.</p>	84.8, 122 and 124

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DIRECTORS' STATEMENT

The Directors are pleased to present this statement 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”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity of the Group and of the Company and cash flows of the Group and financial performance 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.

2. DIRECTORS

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

Mr Koh Beng Seng, Chairman
Mr Norman Ip
Mr Law Song Keng
Mr Kyle Lee Khai Fatt
Mr Soon Tit Koon (appointed on 1 January 2016)
Mr Tan Yam Pin
Mr Thean Nam Yew (appointed on 5 January 2017)
Mr Samuel N. Tsien
Mr Wee Joo Yeow (appointed on 1 January 2016)

3. 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 arrangements whose objects are, or one of whose objects is, 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 statement.

DIRECTORS' STATEMENT

4. 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 2017. Mr Thean Nam Yew, who was appointed as a Director of the Company on 5 January 2017, did not have any interest in shares in, or debentures of, the Company as at 21 January 2017. The interests in shares in, or debentures of, the Company's holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") and its related corporations, of Directors who held office at the end of the financial year, 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 1.1.2016 or date of appointment	As at 31.12.2016	As at 1.1.2016 or date of appointment	As at 31.12.2016
Ordinary shares in the capital of OCBC Bank				
Mr Norman Ip	4,109	4,201	–	–
Mr Law Song Keng	113,923	116,452	15,249 ⁽¹⁾	15,249⁽¹⁾
Mr Kyle Lee Khai Fatt	119,575	122,229	–	–
Mr Soon Tit Koon	105,413	107,753	–	–
Mr Samuel N. Tsien	472,303	762,471	669,336 ⁽²⁾	745,799⁽³⁾
Mr Wee Joo Yeow	39,639	46,652	4,689	4,794
OCBC Capital Corporation (2008) 5.1% non-cumulative non-convertible guaranteed preference shares				
Mr Tan Yam Pin	–	–	2,000 ⁽¹⁾	2,000⁽¹⁾

Notes:

⁽¹⁾ Held by spouse.

⁽²⁾ Comprises deemed interest in 661,959 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 7,377 ordinary shares granted under the OCBC Employee Share Purchase Plan.

⁽³⁾ Comprises deemed interest in 738,024 ordinary shares subject to award(s) granted under the OCBC Deferred Share Plan and subscription rights over 7,775 ordinary shares granted under the OCBC Employee Share Purchase Plan.

DIRECTORS' STATEMENT

4. 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 1.1.2016 or date of appointment	As at 31.12.2016	As at 1.1.2016 or date of appointment	As at 31.12.2016
Mr Soon Tit Koon	209,709	209,709	–	–
Mr Samuel N. Tsien	3,290,004	4,314,802	–	–

Save as disclosed above, the Directors holding office at the end of the financial year 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.

5. SHARE OPTIONS

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

6. AUDIT COMMITTEE

The Audit Committee ("AC") comprises four non-executive Directors. The AC members at the date of this statement are Mr Kyle Lee Khai Fatt (AC Chairman), Mr Law Song Keng, Mr Tan Yam Pin and Mr Thean Nam Yew. 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 2016.

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

DIRECTORS' STATEMENT

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



Kyle Lee Khai Fatt
Director

Singapore
10 February 2017

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Great Eastern Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying balance sheets of the Group and the Company as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group financial performance and changes in equity of the Company and financial performance of the insurance operations of the Group for the year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

KEY AUDIT MATTERS (CONTINUED)

Valuation of life insurance contract liabilities

As at 31 December 2016, the Group has \$52.9 billion of life insurance contract liabilities, which represents 82.0% of the Group's total liabilities. The valuation of life insurance contract liabilities involves judgement over uncertain future outcomes, including primarily the timing and occurrence of ultimate full settlement of life insurance contract liabilities. The Company uses valuation models and assumptions to support the calculations of the life insurance contract liabilities. The complexity of the models may give rise to errors as a result of inadequate/incomplete data used or inappropriate design or application of the models.

Economic assumptions such as investment return and interest rates, and non-economic assumptions such as mortality, morbidity, expenses, policyholders' behavior and claims experience are some of the key inputs used to estimate these life insurance contract liabilities. Changes in assumptions used may give rise to material impact to the valuation of these life insurance contract liabilities. On top of historical experiences, management judgement is involved in setting these assumptions.

We used internal actuarial specialists to assist us in performing the following procedures. Our audit procedures included, amongst others:

- assessing the processes and tested controls relating to actuarial process, including management's determination and approval process for setting of economic and actuarial assumptions;
- assessing the appropriateness of the actuarial valuation methodologies and assumptions used by the management against regulatory requirements and industry practices, where applicable;
- comparing assumptions used by management against the Group's experiences and market observable data;
- assessing whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience;
- reviewing reasonableness of the actuarial reserves being set up by performing analytical review on the results;
- reviewing a selection of the Group's independent testing of actuarial models used for reserve calculations.

Based on the work performed, we considered the valuation methodologies and the assumptions used to be appropriate.

We also considered whether the disclosures in relation to life insurance contract liabilities comply with the relevant disclosure requirements. The Group's disclosures related to life insurance liabilities are included in Note 2.9.4 (Life insurance contract liabilities), Note 2.32.1(a) (Critical accounting estimates and assumptions on liabilities of insurance business), Note 18 (note on Life Assurance Fund) and Note 35 (Insurance Risk).

Valuation of general insurance contract liabilities

As at 31 December 2016, the Group has \$190.9 million of general insurance contract liabilities, which represents 0.3% of the Group's total liabilities. General insurance contract liabilities, which include the Group's loss reserves and unexpired risk reserve, are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Estimates have to be made for both the expected ultimate cost of claims reported at the balance sheet date, and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. The estimation of general insurance contract liabilities are sensitive to various factors and uncertainties. Management judgement is applied in setting these assumptions.

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

KEY AUDIT MATTERS (CONTINUED)

Valuation of general insurance contract liabilities (continued)

We used internal actuarial specialists to assist us in performing the following procedures. Our audit procedures included, amongst others:

- comparing the actuarial valuation methodologies and assumptions used by the management with industry data, and against recognised actuarial practices;
- reviewing the assumptions used by the Certifying Actuary and rationale for conclusions made thereon;
- assessing consistency of valuation methodologies applied against prior years;
- assessing whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience; and
- performing independent analysis and re-computation of the general insurance contract liabilities of selected classes of business. We focused on the largest and most uncertain reserves. We compared our independent analysis to those performed by the management and enquired with management significant differences noted, if any.

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

We considered whether the disclosures in relation to general insurance contract liabilities comply with the relevant disclosure requirements. The Group's disclosures related to general insurance liabilities are included in 2.9.5 (General insurance contract liabilities), Note 2.32.1(a) (Critical accounting estimates and assumptions on liabilities of insurance business), Note 17 (note on General Insurance Fund) and Note 35 (Insurance Risk).

Valuation of financial investments

Financial investments comprise mainly debt and equity investments. These investments are measured at fair value with the corresponding fair value changes recognised in either other comprehensive income or, profit or loss. The valuation is performed by the Group using inputs which have been classified in accordance with the fair value hierarchy stated in FRS 113 – Fair Value Measurement. The fair value hierarchy is disclosed in Note 36.

The valuation of investments for the Level 2 and Level 3 investments involves management judgement since these are valued based on inputs other than observable quoted prices. As such, we determined this to be significant to our audit. As at 31 December 2016, the Level 2 and Level 3 investments amounted to \$16.2 billion and \$1.2 billion.

Our audit procedures focused on the valuation of these financial investments included the following:

- assessing the processes and controls relating to valuation of these financial investments and their valuations review process;
- performing independent valuations using external quotes where available, or with reference to alternative valuation methods used by other market participants on a sample of investments.

Overall, the results of our independent valuation are consistent with those of management's valuation.

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

KEY AUDIT MATTERS (CONTINUED)

Valuation of financial investments (continued)

We also assessed the adequacy of the related note disclosures, including valuation sensitivity analysis and fair value hierarchy. The Group's disclosures related to financial investments are included in Note 2.19 (Financial assets), Note 2.23 (Determination of fair value of financial instruments), Note 36 (note on Fair value of assets and liabilities).

Valuation of provision for tax and deferred taxation

As at 31 December 2016, the Group has recognised provision for tax and deferred tax liabilities of \$446.4 million and \$1,058.3 million respectively. The taxation rules and regulations governing the insurance industry are complex and evolving. There are many transactions and calculations for which the ultimate tax determination is uncertain as it involves management judgment in determining the deductibility of certain expenses during the estimation of provision for income taxes. The final tax outcome for open years of assessment may therefore be different from the amounts that were initially recorded and may result in either tax refunds or further taxes to be imposed. As such, the valuation of the income tax is significant to our audit.

Our audit procedures included, amongst others:

- involving our internal tax experts in assessing the veracity of the bases used to determine the tax positions. We corroborated these bases with supporting evidence, historical accuracy of management's assumptions used and estimation process. We also assessed the historical accuracy of management's assumptions and estimation process;
- reviewing correspondences with the tax authorities to identify potential tax exposures; and
- assessing the adequacy of the Group's disclosures on provision for tax and deferred tax.

Overall, the results of our evaluation of the Group's provision for tax and deferred tax are consistent with management's provision for tax and deferred tax.

The Group's disclosures related to provision for tax, and deferred tax are included in Note 2.12 (Taxes), Note 9 (note on Income tax).

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for 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 financial statements and to maintain accountability of assets.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Great Eastern Holdings Limited

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is Mak Keat Meng.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore
10 February 2017

PROFIT & LOSS STATEMENTS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2016	2015	2016	2015
Gross Premiums		9,555.7	8,757.4	–	–
Life assurance profit from:					
Participating Fund		143.8	134.5	–	–
Non-participating Fund		182.9	330.8	–	–
Investment-linked Fund		172.3	164.4	–	–
Profit from life assurance		499.0	629.7	–	–
Profit from general insurance		25.7	22.8	–	–
Profit from insurance business		524.7	652.5	–	–
Dividend from subsidiaries		–	–	664.9	548.7
Investment income, net	4	172.1	161.1	0.8	0.9
Gain on sale of investments and changes in fair value	5	54.2	95.9	–	–
Gain on disposal of interest in associate		–	3.6	–	–
Loss on disposal of subsidiary	26	(18.7)	–	–	–
Increase in provision for impairment of assets		(16.3)	(27.0)	–	–
Gain on exchange differences		2.5	29.8	–	–
Profit from Shareholders' Fund's investments		193.8	263.4	665.7	549.6
Fees and other income		82.5	79.8	0.7	0.6
Profit before expenses		801.0	995.7	666.4	550.2
less:					
Management and other expenses		79.9	82.5	7.5	9.3
Interest expense		18.3	18.3	–	–
Depreciation		1.3	1.8	0.2	0.2
Expenses		99.5	102.6	7.7	9.5
Profit after expenses		701.5	893.1	658.7	540.7
Share of loss after income tax of associates		(1.2)	(7.7)	–	–
Profit before income tax	8	700.3	885.4	658.7	540.7
Income tax		(101.5)	(92.0)	(0.1)	(0.1)
Profit after income tax		598.8	793.4	658.6	540.6
Attributable to:					
Shareholders		589.3	785.4	658.6	540.6
Non-controlling interests		9.5	8.0	–	–
		598.8	793.4	658.6	540.6
Basic and diluted earnings per share attributable to shareholders of the Company (in Singapore Dollars)	10	\$1.25	\$1.66		

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

STATEMENTS OF COMPREHENSIVE INCOME

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group		Company	
		2016	2015	2016	2015
Profit after income tax for the year		598.8	793.4	658.6	540.6
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		-	(1.7)	-	-
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of overseas entities		9.6	(72.5)	-	-
Share of other comprehensive income of associates		0.5	(2.1)	-	-
Available-for-sale financial assets:					
Changes in fair value		64.5	17.3	-	-
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	(65.0)	(127.8)	-	-
Tax on changes in fair value	9	(0.3)	18.8	-	-
Other comprehensive income for the year, after tax		9.3	(168.0)	-	-
Total comprehensive income for the year		608.1	625.4	658.6	540.6
Total comprehensive income attributable to:					
Shareholders		599.4	618.9	658.6	540.6
Non-controlling interests		8.7	6.5	-	-
		608.1	625.4	658.6	540.6

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

BALANCE SHEET – GROUP

as at 31 December

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2016	2015	2016	2015	2016	2015
Share capital	11	152.7	152.7	152.7	152.7	-	-
Reserves							
Currency translation reserve	12	(139.8)	(170.8)	(139.8)	(170.8)	-	-
Fair value reserve	12	65.5	67.0	65.5	67.0	-	-
Accumulated profit		6,510.5	6,181.5	6,510.5	6,181.5	-	-
SHAREHOLDERS' FUND		6,588.9	6,230.4	6,588.9	6,230.4	-	-
NON-CONTROLLING INTERESTS		75.3	66.6	75.3	66.6	-	-
TOTAL EQUITY		6,664.2	6,297.0	6,664.2	6,297.0	-	-
LIABILITIES							
Insurance payables	13	3,670.8	3,391.6	38.8	34.2	3,632.0	3,357.4
Other creditors and interfund balances	14	2,653.8	2,562.3	202.0	170.8	2,451.8	2,391.5
Unexpired risk reserve	16	124.9	126.6	124.9	126.6	-	-
Derivative financial liabilities	23	737.5	521.4	4.6	4.9	732.9	516.5
Income tax		446.4	497.1	177.7	195.6	268.7	301.5
Provision for agents' retirement benefits	7	263.3	250.6	-	-	263.3	250.6
Deferred tax	9	1,058.3	1,068.3	55.4	55.2	1,002.9	1,013.1
Debt issued	15	399.6	399.5	399.6	399.5	-	-
General insurance fund	17	223.2	228.2	223.2	228.2	-	-
Life assurance fund	18	54,881.1	50,478.1	-	-	54,881.1	50,478.1
TOTAL EQUITY AND LIABILITIES		71,123.1	65,820.7	7,890.4	7,512.0	63,232.7	58,308.7
ASSETS							
Cash and cash equivalents		3,526.6	3,491.1	759.4	751.9	2,767.2	2,739.2
Other debtors and interfund balances	19	2,691.0	2,585.6	1,488.5	1,449.9	1,202.5	1,135.7
Insurance receivables	20	2,604.5	2,576.0	201.1	204.7	2,403.4	2,371.3
Loans	22	1,609.0	1,808.5	45.2	44.9	1,563.8	1,763.6
Derivative financial assets	23	84.9	38.1	6.5	1.5	78.4	36.6
Investments	24	58,383.3	53,058.3	5,337.1	5,007.9	53,046.2	48,050.4
Associates	25	47.4	52.8	6.3	7.1	41.1	45.7
Intangible assets	28	32.0	32.1	31.5	31.6	0.5	0.5
Investment properties	29	1,539.0	1,568.1	-	-	1,539.0	1,568.1
Property, plant and equipment	30	605.4	610.1	14.8	12.5	590.6	597.6
TOTAL ASSETS		71,123.1	65,820.7	7,890.4	7,512.0	63,232.7	58,308.7

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	
		2016	2015
Share capital	11	152.7	152.7
Reserves			
Merger reserve	12	419.2	419.2
Accumulated profit		2,662.5	2,264.2
TOTAL EQUITY		3,234.4	2,836.1
LIABILITIES			
Other creditors	14	7.8	8.7
Income tax		0.1	0.1
TOTAL EQUITY AND LIABILITIES		3,242.3	2,844.9
ASSETS			
Cash and cash equivalents		20.8	317.0
Other debtors	19	0.1	0.1
Amounts due from subsidiaries	21	2,534.9	1,841.1
Subsidiaries	26	686.1	686.1
Property, plant and equipment		0.4	0.6
TOTAL ASSETS		3,242.3	2,844.9

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

STATEMENTS OF CHANGES IN EQUITY – GROUP

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Attributable to shareholders of the Company					Non-Controlling Interests	Total Equity
		Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit ⁽¹⁾	Total		
Balance at 1 January 2016		152.7	(170.8)	67.0	6,181.5	6,230.4	66.6	6,297.0
Profit for the year		-	-	-	589.3	589.3	9.5	598.8
Other comprehensive income								
Exchange differences arising on translation of overseas entities		-	9.6	-	-	9.6	-	9.6
Share of other comprehensive income of associates		-	0.5	-	-	0.5	-	0.5
Available-for-sale financial assets:								
Changes in fair value		-	-	65.3	-	65.3	(0.8)	64.5
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	-	-	(65.0)	-	(65.0)	-	(65.0)
Tax on changes in fair value	9	-	-	(0.3)	-	(0.3)	-	(0.3)
Other comprehensive income for the year, after tax		-	10.1	-	-	10.1	(0.8)	9.3
Total comprehensive income for the year		-	10.1	-	589.3	599.4	8.7	608.1
Distributions to shareholders								
Dividends paid during the year:								
Final and special one-tier tax exempt dividends for the previous year	38	-	-	-	(213.0)	(213.0)	-	(213.0)
Interim one-tier tax exempt dividend	38	-	-	-	(47.3)	(47.3)	-	(47.3)
Total distributions to shareholders		-	-	-	(260.3)	(260.3)	-	(260.3)
Changes in ownership interests in subsidiaries								
Disposal of subsidiary	26	-	20.9	(1.5)	-	19.4	-	19.4
Total changes in ownership interests in subsidiaries		-	20.9	(1.5)	-	19.4	-	19.4
Total transactions with shareholders in their capacity as shareholders		-	20.9	(1.5)	(260.3)	(240.9)	-	(240.9)
Balance at 31 December 2016		152.7	(139.8)	65.5	6,510.5	6,588.9	75.3	6,664.2

⁽¹⁾ Included in Accumulated Profit are non-distributable reserves of \$1,309.2 million (31 December 2015: \$1,184.0 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 35 for more details.

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

STATEMENTS OF CHANGES IN EQUITY – GROUP

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Attributable to shareholders of the Company					Non-Controlling Interests	Total Equity
		Share Capital	Currency Translation Reserve	Fair Value Reserve	Accumulated Profit ⁽¹⁾	Total		
Balance at 1 January 2015		152.7	(96.4)	159.1	5,656.4	5,871.8	60.1	5,931.9
Profit for the year		–	–	–	785.4	785.4	8.0	793.4
<u>Other comprehensive income</u>								
Exchange differences arising on translation of overseas entities		–	(72.5)	–	–	(72.5)	(1.7)	(74.2)
Share of other comprehensive income of associates		–	(1.9)	(0.2)	–	(2.1)	–	(2.1)
Available-for-sale financial assets:								
Changes in fair value		–	–	17.1	–	17.1	0.2	17.3
Reclassification of realised gain on disposal of investments to Profit and Loss Statement	5	–	–	(127.8)	–	(127.8)	–	(127.8)
Tax on changes in fair value	9	–	–	18.8	–	18.8	–	18.8
Other comprehensive income for the year, after tax		–	(74.4)	(92.1)	–	(166.5)	(1.5)	(168.0)
Total comprehensive income for the year		–	(74.4)	(92.1)	785.4	618.9	6.5	625.4
<u>Distributions to shareholders</u>								
Dividends paid during the year:								
Final and special one-tier tax exempt dividends for the previous year	38	–	–	–	(213.0)	(213.0)	–	(213.0)
Interim one-tier tax exempt dividend	38	–	–	–	(47.3)	(47.3)	–	(47.3)
Total distributions to shareholders		–	–	–	(260.3)	(260.3)	–	(260.3)
Total transactions with shareholders in their capacity as shareholders		–	–	–	(260.3)	(260.3)	–	(260.3)
Balance at 31 December 2015		152.7	(170.8)	67.0	6,181.5	6,230.4	66.6	6,297.0

⁽¹⁾ Included in Accumulated Profit are non-distributable reserves of \$1,309.2 million (31 December 2015: \$1,184.0 million), which arises from regulatory risk charges in Singapore and Malaysia. Refer to Notes 12 and 35 for more details.

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

STATEMENTS OF CHANGES IN EQUITY – COMPANY

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Share Capital	Merger Reserve	Accumulated Profit	Total Equity
Balance at 1 January 2016		152.7	419.2	2,264.2	2,836.1
Profit for the year		–	–	658.6	658.6
Total comprehensive income for the year		–	–	658.6	658.6
<u>Distributions to shareholders</u>					
Dividends paid during the year:					
Final and special one-tier tax exempt dividends for the previous year	38	–	–	(213.0)	(213.0)
Interim one-tier tax exempt dividend	38	–	–	(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 2016		152.7	419.2	2,662.5	3,234.4
Balance at 1 January 2015		152.7	419.2	1,983.9	2,555.8
Profit for the year		–	–	540.6	540.6
Total comprehensive income for the year		–	–	540.6	540.6
<u>Distributions to shareholders</u>					
Dividends paid during the year:					
Final and special one-tier tax exempt dividends for the previous year	38	–	–	(213.0)	(213.0)
Interim one-tier tax exempt dividend	38	–	–	(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 2015		152.7	419.2	2,264.2	2,836.1

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		700.3	885.4
Life assurance (loss)/profit before income tax		(464.4)	1,276.1
General insurance profit before income tax		33.0	31.3
<i>Adjustments for non-cash items:</i>			
Surplus transferred from life assurance fund but not yet withdrawn		(499.0)	(629.7)
Surplus transferred from general insurance fund but not yet withdrawn		(25.7)	(22.8)
Share of loss of associates		8.6	7.9
(Gain)/loss on sale of investments and changes in fair value		(356.1)	40.1
Loss on disposal of subsidiary	26	18.7	–
Gain on disposal of interest in associate and joint venture		–	(3.6)
Increase in provision for impairment of assets	6	250.8	176.7
Increase in provision for agents' retirement benefits	7	31.4	29.5
Gain on disposal of property, plant and equipment	8	(0.1)	–
Depreciation	30	56.2	51.0
Unrealised gain on exchange differences		(70.4)	(811.5)
Change in life assurance contract liabilities	18	5,771.4	2,883.5
Change in general insurance contract liabilities	17	(3.6)	5.7
Change in unexpired risk reserve	16	0.4	4.7
Amortisation of capitalised transaction fees		0.1	0.1
Dividend income	4	(549.0)	(505.1)
Interest income	4	(1,733.5)	(1,669.5)
Interest expense		18.3	18.7
Interest expense on policy benefits	8	146.5	135.7
Share-based payments	8	3.4	2.9
		3,337.3	1,907.1
<i>Changes in working capital:</i>			
Insurance receivables		(30.1)	116.2
Other debtors and interfund balances		(81.1)	(268.2)
Insurance payables		279.4	(48.7)
Other creditors and interfund balances		101.8	(73.5)
Cash generated from operations		3,607.3	1,632.9
Income tax paid		(314.8)	(222.1)
Interest paid on policy benefits		(146.5)	(135.7)
Agents' retirement benefits paid	7	(12.0)	(11.9)
Net cash flows from operating activities		3,134.0	1,263.2

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	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and sale of investments		25,892.8	20,081.8
Purchase of investments		(30,524.6)	(20,241.5)
Proceeds from reduction of interests in associates		–	5.2
Net cash inflow from disposal of subsidiary	26	23.6	–
Proceeds from sale of property, plant and equipment		8.6	0.4
Purchase of property, plant and equipment and investment properties	29, 30	(54.4)	(48.3)
Acquisition of intangible assets	28	–	(0.6)
Interest income received		1,688.1	1,661.0
Interest expense paid		(18.6)	(18.9)
Dividends received		550.7	499.9
Net cash flows (used in)/from investing activities		(2,433.8)	1,939.0
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	38	(260.3)	(260.3)
Repayment of loan		–	(41.2)
Net cash flows used in financing activities		(260.3)	(301.5)
Net effect of currency translation reserve adjustment		(404.4)	(2,663.9)
Net increase in cash and cash equivalents		35.5	236.8
Cash and cash equivalents at the beginning of the year		3,491.1	3,254.3
Cash and cash equivalents at the end of the year		3,526.6	3,491.1
Cash and cash equivalents comprise:			
Cash and bank balances		891.1	1,032.5
Cash on deposit		2,509.5	2,407.4
Short term instruments		126.0	51.2
		3,526.6	3,491.1

Included in the cash and cash equivalents are bank deposits amounting to \$0.9 million (31 December 2015: \$5.0 million) which are lodged with the regulator as statutory deposits, which are not available for use by the Group.

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

LIFE ASSURANCE REVENUE STATEMENT

for the financial year ended 31 December

in Singapore Dollars (millions)	Note	Group	
		2016	2015
Income			
Gross premiums		9,301.6	8,493.5
less: Premiums ceded to reinsurers		234.3	547.3
Net premiums		9,067.3	7,946.2
Commissions received from reinsurers		20.9	25.1
Investment income, net	4	1,974.9	1,883.0
Rental income, net		57.3	60.6
Gain/(loss) on sale of investments and changes in fair value	5	300.7	(136.6)
Gain on exchange differences		239.7	570.8
		11,660.8	10,349.1
less: Expenses			
Gross claims, surrenders and annuities		4,917.6	4,963.5
Claims, surrenders and annuities recovered from reinsurers		(96.7)	(83.4)
Commissions and agency expenses		832.0	739.7
Increase in provision for impairment of assets	6	234.0	148.9
Management expenses		375.0	343.1
Interest expense		–	0.4
Agents' retirement benefits	7	31.4	29.5
Depreciation	30	53.1	47.6
Change in life assurance fund contract liabilities	18	5,771.4	2,883.5
		12,117.8	9,072.8
Life assurance (loss)/profit before share of loss of associates		(457.0)	1,276.3
Share of loss after income tax of associates		(7.4)	(0.2)
Life assurance (loss)/profit before income tax		(464.4)	1,276.1
Income tax	9	(150.9)	(181.0)
Life assurance (loss)/profit after income tax	18	(615.3)	1,095.1
Retained in life assurance fund		(1,114.3)	465.4
Transferred to Profit and Loss Statement	18	499.0	629.7
		(615.3)	1,095.1

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	
		2016	2015
Income			
Gross premiums		254.1	263.9
<i>less:</i>			
Premiums ceded to reinsurers		98.3	103.8
Increase in unexpired risk reserve during the year	16	0.4	4.7
Net premiums		155.4	155.4
Commissions received from reinsurers		25.2	26.8
Investment income, net	4	14.1	13.8
Gain on sale of investments and changes in fair value	5	1.3	0.6
Gain on exchange differences		0.4	1.0
Total income		196.4	197.6
<i>less: Expenses</i>			
Gross claims and changes in loss reserve		141.5	150.0
Claims and changes in loss reserve ceded to reinsurers		(68.2)	(72.6)
Commissions and agency expenses		44.4	45.3
Increase in provision for impairment of assets		0.5	0.8
Management expenses		43.4	41.2
Depreciation		1.8	1.6
Total expenses		163.4	166.3
General insurance profit before income tax		33.0	31.3
Income tax		(7.4)	(7.4)
General insurance profit after income tax	17	25.6	23.9
Retained in general insurance fund		(0.1)	1.1
Transferred to Profit and Loss Statement	17	25.7	22.8
		25.6	23.9

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with the Singapore Financial Reporting 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.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in Accounting Policies

2.2.1 The Group and the Company have applied the following FRS with effect from 1 January 2016:

FRS	Title	Effective date (Annual periods beginning on or after)
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
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

The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

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 7	Amendments to FRS 7 – Disclosure Initiative	1 January 2017
FRS 12	Amendments to FRS 12 – Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Various	Improvements to FRSs (December 2016)	1 January 2017/ 1 January 2018
FRS 40	Amendments to FRS 40 – Transfers of Investment Property	1 January 2018
FRS 102	Amendments to FRS 102 – Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104	Amendments to FRS 104 – Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018
FRS 115	Amendments to FRS 115 – Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109	Financial Instruments	1 January 2018
INT FRS 122	Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 116	Leases	1 January 2019
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	To be determined

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

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) Classification and measurement

The Group expects to have mixed business model. The Group intends to hold its loans and receivables to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. For available-for-sale debt securities, based on the business model, the Group intends to hold the debt instrument either to collect contractual cash flows and sell or held-for-trading, and this is accordingly measured either at fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) respectively. The Group may make an election to measure its currently available-for-sale debt securities at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group is currently assessing the impact arising from these changes.

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)

(a) Classification and measurement (continued)

For equity securities, the Group will continue to measure its currently held-for-trading equity securities at fair value through profit or loss. The Group may make an election to measure its currently held available-for-sale equity securities that is not held-for-trading at fair value through other comprehensive income. In addition, the Group currently measures its investments in unquoted equity securities whose fair value cannot be reliably measured at cost less impairment losses. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109. The Group is currently assessing the impact arising from these changes.

(b) Impairment

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. A more detailed analysis considering all reasonable and supportable information, including forward-looking elements is required to determine the extent of impact.

(c) Hedge Accounting

The Group applies hedge accounting for hedges for net investments in foreign operations. The Group is currently assessing the impact arising from the adoption of FRS 109.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

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. Balances, income and expenses between Shareholders', Life and General Insurance Funds are not eliminated as the Group prepares its financial statements on a fund accounting basis.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of Consolidation and Business Combinations (continued)

2.3.1 Basis of Consolidation (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Associates and Joint Ventures (continued)

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

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures 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. An exception to this occurs when non-controlling interests arise through minority unit holders' interest in consolidated investment funds, when they are recognised as a liability, reflecting the net assets of the consolidated entity. These interests qualify as a financial liability as they give the holder the right to put the instrument back to the issuer for cash. Changes in these liabilities are recognised in the Consolidated Profit and Loss Statement or Revenue Statement as expenses.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Foreign Currency Conversion and Translation (continued)

2.8.2 Transactions and Balances (continued)

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

2.8.3 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 inception of the insurance contract. 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, where relevant, appropriate level of non-guaranteed benefits, less the present value 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 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. Refer to Table 2.9 for details.

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) Guaranteed cashflows discounted using 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>Participating Fund:</p> <ul style="list-style-type: none"> (i) Best estimates for Gross Premium Valuation method (ii); (ii) Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method (iii). <p>Non-Participating and Non-Unit reserves of Investment Linked Fund:</p> <p>Best estimates plus provision for adverse deviation (PAD).</p> <p><i>Data source: internal experience studies</i></p>	<p>Participating Fund:</p> <ul style="list-style-type: none"> (i) Best estimates for Gross Premium Valuation method (i); (ii) Best estimates plus provision for risk of adverse deviation (PRAD) for Gross Premium Valuation method (ii). <p>Non-Participating and Non-Unit reserves of Investment Linked Fund:</p> <p>Best estimates plus provision for risk of adverse deviation (PRAD).</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 recoveries. 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 claim 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% level of sufficiency. For Singapore, the valuation methods used include the Paid Claim Development method, the Incurred Claim Development method, the Paid Bornhuetter-Ferguson Method, the Incurred Bornhuetter-Ferguson Method and the Expected Loss Ratio Method. For Malaysia, the valuation methods used include the Paid Claim Development Method, the Incurred Claim Development Method, the Paid Bornhuetter-Ferguson Method, the Incurred 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

First year premiums of insurance policies are recognised from inception date and subsequent renewal premiums are recognised when due. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Recognition of Income and Expense (continued)

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.

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.

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)

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.

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.

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)

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.

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.

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 (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial Assets (continued)

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, hybrid financial instruments with derivatives embedded in non-derivative host contract 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 and the Group's fully consolidated investment 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Financial Assets (continued)

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.

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 balances and insurance payables.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Financial Liabilities (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Determination of Fair Value of Financial Instruments (continued)

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.

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 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)

2.25 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.

2.26 Investment Properties

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 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 agent'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.

2.28 Related Parties

A related party is defined as follows:

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

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

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

2.29 Segment Reporting

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.30 Share Capital and Share Issuance Expenses

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

2.31 Contingencies

A contingent liability is:

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

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

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

2.32 Critical Accounting Estimates and Judgments

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

2.32.1 Critical Accounting Estimates and Assumptions

(a) Liabilities of insurance business

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Critical Accounting Estimates and Judgments (continued)

2.32.1 Critical Accounting Estimates and Assumptions (continued)

(a) Liabilities of insurance business (continued)

For life insurance contracts, estimates are made for future deaths, morbidity, disabilities, lapses, voluntary terminations, investment returns and administration expenses. The Group relies on standard industry reinsurance and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience 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. Each year, 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 2016 amounted to \$52,912.4 million (31 December 2015: \$47,513.9 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 fund contract liabilities as at 31 December 2016 amounted to \$115.7 million (31 December 2015: \$120.7 million).

(b) Share option costs

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

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Critical Accounting Estimates and Judgments (continued)

2.32.1 Critical Accounting Estimates and Assumptions (continued)

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the 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 2016 amounted to \$1,504.7 million (31 December 2015: \$1,565.4 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 2016 amounted to \$263.3 million (31 December 2015: \$250.6 million).

2.32.2 Critical Judgments in Applying Accounting Policies

(a) Impairment of goodwill

The Group conducts impairment tests on the carrying value of goodwill in accordance with the accounting policy stated in Note 2.24. 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 28.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 Critical Accounting Estimates and Judgments (continued)

2.32.2 Critical Judgments in Applying Accounting Policies (continued)

(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 upon the insured event the Group is required to pay significant additional benefits. 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	
			2016 %	2015 %
(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 ^(3.4)	Vietnam	Life assurance	–	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
LGlobal Funds-Asia High Dividend Equity ^{(3.3) & (3.6)}	Luxembourg	Collective portfolio investment fund	49.3	42.4
(ii) SIGNIFICANT ASSOCIATES				
Held through subsidiaries				
Fairfield Investment Fund Ltd ^(3.5)	British Virgin Islands	Collective investment scheme	45.8	45.8
Lion Indian Real Estate Fund ^(3.3)	Cayman Islands	Real Estate Investment Trust	45.5	45.5

^(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) During the year, the Group disposed of its interest in the subsidiary.

^(3.5) Currently under liquidation.

^(3.6) LGlobal Funds-Asia High Dividend Equity is considered a subsidiary as the Group is deemed to have control over the fund in accordance with FRS 110.

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT INCOME, NET

in Singapore Dollars (millions)	Group	
	2016	2015
4.1 Profit and Loss Statement		
Dividend income		
– Investments		
Available-for-sale financial assets	66.2	55.5
Financial assets at fair value through profit and loss statement	6.3	14.6
	72.5	70.1
Interest income		
– Investments		
Available-for-sale financial assets	95.5	85.2
Financial assets at fair value through profit and loss statement	2.4	7.2
– Loans and receivables	5.6	5.3
	103.5	97.7
	176.0	167.8
less: Investment related expenses	(3.9)	(6.7)
	172.1	161.1

During the year ended 31 December 2016, the Company had interest income for loans and receivables of \$0.8 million (31 December 2015: \$0.9 million).

4.2 Life Assurance Revenue Statement

Dividend income		
– Investments		
Available-for-sale financial assets	408.3	369.0
Financial assets at fair value through profit and loss statement	67.6	65.5
	475.9	434.5
Interest income		
– Investments		
Available-for-sale financial assets	1,289.0	1,210.7
Financial assets at fair value through profit and loss statement	67.7	82.1
– Loans and receivables	259.4	265.3
	1,616.1	1,558.1
	2,092.0	1,992.6
less: Investment related expenses	(117.1)	(109.6)
	1,974.9	1,883.0

NOTES TO THE FINANCIAL STATEMENTS

4 INVESTMENT INCOME, NET (CONTINUED)

in Singapore Dollars (millions)	Group	
	2016	2015
4.3 General Insurance Revenue Statement		
Dividend income		
– Investments		
Available-for-sale financial assets	0.6	0.5
	0.6	0.5
Interest income		
– Investments		
Available-for-sale financial assets	13.2	12.9
Financial assets at fair value through profit and loss statement	0.3	0.4
– Loans and receivables	0.4	0.4
	13.9	13.7
	14.5	14.2
less: Investment related expenses	(0.4)	(0.4)
	14.1	13.8

During the year ended 31 December 2016, the total dividend and interest income for financial assets that are not classified as fair value through profit and loss amounted to \$167.3 million, \$1,956.7 million and \$14.2 million for the Profit and Loss Statement, Life Assurance Revenue Statement and General Insurance Revenue Statement respectively (31 December 2015: \$146.0 million, \$1,845.0 million and \$13.8 million).

5 GAIN ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE

in Singapore Dollars (millions)	Note	Group	
		2016	2015
5.1 Profit and Loss Statement			
Realised gain from sale of investments		0.9	0.3
Amount transferred from Statement of Comprehensive Income on sale of investments		65.0	127.8
Changes in fair value of investments			
– fair value through profit and loss statement		(4.8)	(23.1)
– held-for-trading		(6.9)	(9.1)
		(11.7)	(32.2)
		54.2	95.9
5.2 Life Assurance Revenue Statement			
Realised (loss)/gain from sale of investments		(3.7)	0.4
Amount transferred from Fair Value Reserve on sale of investments	18	323.5	531.5
Changes in fair value of investments			
– fair value through revenue statement		118.2	(56.9)
– held-for-trading		(120.9)	(574.0)
		(2.7)	(630.9)
Changes in fair value of investment properties	29	(16.4)	(37.6)
		300.7	(136.6)

NOTES TO THE FINANCIAL STATEMENTS

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

in Singapore Dollars (millions)	Note	Group	
		2016	2015
5.3 General Insurance Revenue Statement			
Realised gain from sale of investments		1.2	0.5
Amount transferred from Fair Value Reserve on sale of investments	17	0.7	0.9
Changes in fair value of held-for-trading investments		(0.6)	(0.8)
		1.3	0.6

6 PROVISIONS

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2016	2015
		2016	2015	2016	2015	2016	2015		
6.1 Provision for impairment of secured loans									
Balance at the beginning of the year		2.1	2.1	2.1	2.1	-	-	-	-
Increase in provision for the year		4.0	-	-	-	4.0	-	-	-
Balance at the end of the year	22	6.1	2.1	2.1	2.1	4.0	-	-	-
6.2 Provision for impairment of quoted equity securities									
Balance at the beginning of the year		160.0	34.8	13.1	1.7	146.9	33.1	-	-
Increase in provision for the year		198.6	147.9	4.7	12.3	193.9	135.6	-	-
Utilised during the year		(73.4)	(20.0)	(8.2)	(1.0)	(65.2)	(19.0)	-	-
Currency translation reserve adjustment		(3.2)	(2.7)	(0.1)	0.1	(3.1)	(2.8)	-	-
Balance at the end of the year	24	282.0	160.0	9.5	13.1	272.5	146.9	-	-
6.3 Provision for impairment of unquoted equity securities									
Balance at the beginning of the year		38.3	27.6	10.9	-	27.4	27.6	-	-
Increase in provision for the year		4.0	12.8	1.4	10.9	2.6	1.9	-	-
Utilised during the year		(1.4)	(1.0)	-	-	(1.4)	(1.0)	-	-
Currency translation reserve adjustment		(0.2)	(1.1)	-	-	(0.2)	(1.1)	-	-
Balance at the end of the year	24	40.7	38.3	12.3	10.9	28.4	27.4	-	-

NOTES TO THE FINANCIAL STATEMENTS

6 PROVISIONS (CONTINUED)

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2016	2015
		2016	2015	2016	2015	2016	2015		
6.4 Provision for impairment of unquoted debt securities									
Balance at the beginning of the year		5.5	4.1	5.5	4.1	-	-	-	-
Increase in provision for the year		6.5	1.4	2.6	1.4	3.9	-	-	-
Balance at the end of the year	24	12.0	5.5	8.1	5.5	3.9	-	-	-
6.5 Provision for impairment of collective investment schemes									
Balance at the beginning of the year		47.9	38.4	3.7	1.4	44.2	37.0	-	-
Increase in provision for the year		37.7	14.6	8.1	3.2	29.6	11.4	-	-
Utilised during the year		(5.2)	(5.1)	(3.5)	(0.9)	(1.7)	(4.2)	-	-
Balance at the end of the year	24	80.4	47.9	8.3	3.7	72.1	44.2	-	-
6.6 Provision for impairment of unsecured loan to subsidiary companies									
Balance at the beginning and end of the year	21	-	-	-	-	-	-	7.0	7.0
Increase in provision for impairment of assets for the year		250.8	176.7	16.8	27.8	234.0	148.9	-	-

7 PROVISION FOR AGENTS' RETIREMENT BENEFITS

in Singapore Dollars (millions)	Group	
	2016	2015
Balance at the beginning of the year	250.6	270.0
Currency translation reserve adjustment	(6.7)	(37.0)
Increase in provision for the year	31.4	29.5
Paid during the year	(12.0)	(11.9)
Balance at the end of the year	263.3	250.6

As at 31 December 2016, \$78.7 million (31 December 2015: \$70.3 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		2016	2015
		2016	2015	2016	2015	2016	2015		
Fees paid to auditors		2.3	2.4	0.9	0.8	1.4	1.6	0.2	0.4
Audit fees paid to Auditor of the Company		1.3	1.3	0.5	0.6	0.8	0.7	0.2	0.4
Audit fees paid to other auditors		0.6	0.5	0.2	0.1	0.4	0.4	-	-
Non-audit fees paid to Auditor of the Company		0.3	0.3	0.1	0.1	0.2	0.2	-	-
Non-audit fees paid to other auditors		0.1	0.3	0.1	-	-	0.3	-	-
Staff costs and related expenses (including executive directors and key management personnel compensation)		309.9	288.0	108.6	102.0	201.3	186.0	2.2	1.9
Salaries, wages, bonuses and other costs		275.5	257.4	97.7	92.4	177.8	165.0	2.1	1.8
Central Provident Fund/ Employee Provident Fund		31.0	27.7	9.2	7.9	21.8	19.8	0.1	0.1
Share-based payments		3.4	2.9	1.7	1.7	1.7	1.2	-	-
Rental expense		24.8	23.6	9.3	8.4	15.5	15.2	0.3	0.3
Fee income		80.6	76.2	80.6	76.2	-	-	-	-
Fund management fee		79.5	75.4	79.5	75.4	-	-	-	-
Financial advisory fee		1.1	0.8	1.1	0.8	-	-	-	-
(Gain)/loss on disposal of property, plant and equipment		(0.1)	-	-	(0.1)	(0.1)	0.1	-	(0.1)
Depreciation	30	56.2	51.0	3.1	3.4	53.1	47.6	0.2	0.2
Interest expense on policy benefits		146.5	135.7	-	-	146.5	135.7	-	-
Changes in third-party interests in consolidated investment funds		(3.7)	(5.9)	(3.7)	(5.9)	-	-	-	-

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 2016 and 2015 are:

in Singapore Dollars (millions)	Note	Group						Company	
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2016	2015
		2016	2015	2016	2015	2016	2015		
Profit and Loss or Revenue Statements:									
Current income tax:									
– Current income taxation		271.3	337.4	111.6	122.3	159.7	215.1	0.1	–
– (Over)/under provision in respect of previous years		(7.2)	(79.9)	(3.8)	(24.1)	(3.4)	(55.8)	–	0.1
		264.1	257.5	107.8	98.2	156.3	159.3	0.1	0.1
Deferred income tax:									
– Origination and reversal of temporary differences		(4.3)	24.8	1.1	3.1	(5.4)	21.7	–	–
– Effect of reduction in tax rate		–	(1.9)	–	(1.9)	–	–	–	–
		(4.3)	22.9	1.1	1.2	(5.4)	21.7	–	–
Total tax charge for the year recognised in Profit and Loss or Revenue Statements									
		259.8	280.4	108.9	99.4	150.9	181.0	0.1	0.1

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		(0.3)	18.8	(0.3)	18.8	–	–	–	–
– insurance funds	17, 18	(0.1)	35.9	(0.1)	(0.1)	–	36.0	–	–

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 2016 and 2015 is as follows:

	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2016	2015
in Singapore Dollars (millions)	2016	2015	2016	2015	2016	2015	2016	2015
Profit before income tax	701.5	893.1	701.5	893.1	-	-	658.7	540.7
General insurance profit before income tax	33.0	31.3	33.0	31.3	-	-	-	-
Life assurance (loss)/profit before income tax	(464.4)	1,276.1	-	-	(464.4)	1,276.1	-	-
Tax at the domestic rates applicable to profits in the countries where the Group operates	119.0	336.3	149.2	185.0	(30.2)	151.3	112.0	91.9
<u>Adjustments:</u>								
Tax effect of net surplus transferred to Shareholders' Fund	(24.8)	(49.3)	(24.8)	(49.3)	-	-	-	-
Tax effect of provision against future policyholders' bonus	(12.6)	18.2	-	-	(12.6)	18.2	-	-
Foreign tax paid not recoverable	20.3	21.7	4.4	3.8	15.9	17.9	-	-
Permanent differences	403.7	288.0	7.8	7.5	395.9	280.5	1.1	1.5
Tax exempt income	(241.1)	(254.1)	(23.9)	(21.6)	(217.2)	(232.5)	(113.0)	(93.3)
Deferred tax assets not recognised	2.5	1.4	-	-	2.5	1.4	-	-
Effect of reduction in tax rate	-	(1.9)	-	(1.9)	-	-	-	-
Overprovision in respect of previous years	(7.2)	(79.9)	(3.8)	(24.1)	(3.4)	(55.8)	-	-
Income tax expense recognised in the Profit and Loss or Revenue Statements	259.8	280.4	108.9	99.4	150.9	181.0	0.1	0.1

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

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX (CONTINUED)

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2016	2015	2016	2015	2016	2015
Deferred Tax						
Balance at the beginning of the year	1,068.3	1,136.2	55.2	77.9	1,013.1	1,058.3
Currency translation reserve adjustment	(6.1)	(36.1)	(1.3)	(5.2)	(4.8)	(30.9)
Deferred tax charge taken to Profit and Loss or Revenue Statements:						
Other temporary differences	(4.3)	16.1	0.7	2.1	(5.0)	14.0
Fair value changes	12.6	(11.4)	0.4	(0.9)	12.2	(10.5)
Provision against future policyholders' bonus	(12.6)	18.2	-	-	(12.6)	18.2
Deferred tax on fair value changes on available-for-sale investments	0.4	(54.7)	0.4	(18.7)	-	(36.0)
Balance at the end of the year	1,058.3	1,068.3	55.4	55.2	1,002.9	1,013.1

Deferred taxes at 31 December related to the following:

	Balance Sheets					
<u>Deferred tax liabilities:</u>						
Differences in depreciation for tax purposes	13.0	10.8	1.4	0.5	11.6	10.3
Accrued investment income	1.5	1.4	0.8	0.7	0.7	0.7
Net unrealised gains on investments	155.9	163.4	15.1	15.0	140.8	148.4
Net accretion on fixed income investments	17.5	8.8	-	-	17.5	8.8
Undistributed bonus to policyholders	833.3	847.1	-	-	833.3	847.1
Differences in insurance items	41.8	42.7	41.8	42.7	-	-
Deferred tax liabilities	1,063.0	1,074.2	59.1	58.9	1,003.9	1,015.3
<u>Deferred tax assets:</u>						
Net unrealised loss on investments	2.9	1.7	2.6	0.9	0.3	0.8
Unutilised tax losses carried forward	0.9	1.4	0.2	-	0.7	1.4
Net amortisation on fixed income investments	-	1.7	-	1.7	-	-
Other accruals and provisions	0.9	1.1	0.9	1.1	-	-
Deferred tax assets	4.7	5.9	3.7	3.7	1.0	2.2
Net deferred tax liabilities	1,058.3	1,068.3	55.4	55.2	1,002.9	1,013.1

NOTES TO THE FINANCIAL STATEMENTS

9 INCOME TAX (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2016	2015	2016	2015	2016	2015
							Profit and Loss Statement and Revenue Statements
<u>Deferred tax liabilities:</u>							
Differences in depreciation for tax purposes		2.2	1.6	0.9	0.1	1.3	1.5
Accrued investment income		0.1	0.5	0.1	0.4	–	0.1
Net unrealised (loss)/gains on investments		(3.9)	(1.3)	0.1	(1.4)	(4.0)	0.1
Net accretion on fixed income investments		8.7	(5.4)	–	–	8.7	(5.4)
Undistributed bonus to policyholders	18	(12.6)	18.2	–	–	(12.6)	18.2
<u>Deferred tax assets:</u>							
Net unrealised (loss)/gain on investments		(1.2)	(1.1)	(1.7)	(0.3)	0.5	(0.8)
Unutilised tax losses carried forward		0.5	0.6	(0.2)	–	0.7	0.6
Net amortisation on fixed income investments		1.7	10.1	1.7	2.7	–	7.4
Other accruals and provisions		0.2	(0.3)	0.2	(0.3)	–	–
Deferred tax expense		(4.3)	22.9	1.1	1.2	(5.4)	21.7

Unrecognised tax losses

At the balance sheet date, the Group has tax losses of approximately \$4.1 million (31 December 2015: \$25.1 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	
		2016	2015
Profit attributable to ordinary shareholders for computation of basic and diluted earnings per share	(in millions of Singapore Dollars)	589.3	785.4
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)	\$1.25	\$1.66

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			
	2016		2015	
	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 2016, non-distributable reserves of \$1,309.2 million (31 December 2015: \$1,184.0 million) have been set aside by the Group's insurance entities to meet risk-based capital requirements for regulatory reporting purposes. These reserves are deemed statutory reserves and are not available for distribution to shareholders. These statutory reserves are measured according to the regulatory prescriptions and are subject to changes in line with the underlying risks underwritten by the respective businesses. Refer to Note 35 for more details.

13 INSURANCE PAYABLES

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2016	2015	2016	2015	2016	2015
Claims admitted or intimated	240.8	226.8	-	-	240.8	226.8
Policy benefits	3,319.5	3,082.5	-	-	3,319.5	3,082.5
Reinsurance liabilities	110.5	82.3	38.8	34.2	71.7	48.1
	3,670.8	3,391.6	38.8	34.2	3,632.0	3,357.4

Policy benefits bear interest at 3% per annum (2015: 3% per annum) for the Group's insurance subsidiaries in Singapore and at 5% per annum (2015: 5% per annum) for the Group's insurance subsidiaries in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

14 OTHER CREDITORS AND INTERFUND BALANCES

Other creditors and interfund balances comprise the following:

in Singapore Dollars (millions)	Group						Company	
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund		2016	2015
	2016	2015	2016	2015	2016	2015		
Financial Liabilities:								
Accrued expenses and other creditors	1,035.1	920.8	78.1	82.5	957.0	838.3	7.8	8.7
Investment creditors	139.4	244.0	53.7	4.6	85.7	239.4	-	-
Interest payable	9.2	9.2	9.2	9.2	-	-	-	-
Amount due to holding company ⁽¹⁾	1.9	4.1	1.9	4.1	-	-	-	-
Third-party interests in consolidated investment funds ⁽²⁾	54.6	65.4	54.6	65.4	-	-	-	-
Interfund balances	1,386.3	1,287.0	-	-	1,386.3	1,287.0	-	-
	2,626.5	2,530.5	197.5	165.8	2,429.0	2,364.7	7.8	8.7
Non-Financial Liabilities:								
Premiums in suspense	27.3	31.8	4.5	5.0	22.8	26.8	-	-
	2,653.8	2,562.3	202.0	170.8	2,451.8	2,391.5	7.8	8.7

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

⁽²⁾ Third-party interests in consolidated investment funds consist of third-party unit holders' interests in consolidated investment funds which are reflected as a liability since they can be put back to the Group for cash.

15 DEBT ISSUED

in Singapore Dollars (millions)	Issue Date	Maturity Date	Group	
			2016	2015
Issued by The Great Eastern Life Assurance Company Limited:				
\$400.0 million 4.6% subordinated fixed rate notes	19 Jan 2011	19 Jan 2026	399.6	399.5
			399.6	399.5

On 19 January 2011, one of the Group's subsidiaries issued \$400.0 million subordinated fixed rate notes ("Notes") due 2026 callable in 2021. The Notes will initially bear interest at the rate of 4.6% per annum, payable semi-annually on 19 January and 19 July each year up to 19 January 2021. If the Notes are not redeemed or purchased and cancelled on 19 January 2021, the interest rate from that date will be reset at a fixed rate per annum equal to the aggregate of the then prevailing 5-year SGD Swap Offer Rate and 1.35%, payable semi-annually in arrears. The subordinated notes qualify as Tier 2 capital for the Group.

NOTES TO THE FINANCIAL STATEMENTS

16 UNEXPIRED RISK RESERVE

in Singapore Dollars (millions)	Note	Group	
		General Insurance Fund	
		2016	2015
Balance at the beginning of the year		76.1	77.6
Currency translation reserve adjustment		(1.3)	(6.2)
(Decrease)/increase in unexpired risk reserve during the year, gross		(0.4)	13.0
Movement in reinsurers' share of unexpired risk reserve during the year		0.8	(8.3)
Balance at the end of the year		75.2	76.1
Unexpired risk reserve, gross		124.9	126.6
Reinsurers' share of unexpired risk reserve	20	(49.7)	(50.5)
Unexpired risk reserve, net		75.2	76.1

17 GENERAL INSURANCE FUND

Balance at the beginning of the year		122.0	125.7
Currency translation reserve adjustment		(1.3)	(10.4)
Fair value reserve movement		0.6	(0.1)
(Decrease)/increase in loss reserve during the year, gross		(12.5)	22.7
Movement in reinsurers' share of loss reserve during the year		8.9	(17.0)
Transferred from General Insurance Revenue Statement		25.6	23.9
Transferred to Profit and Loss Statement		(25.7)	(22.8)
Balance at the end of the year		117.6	122.0

General Insurance Fund comprises:

General Insurance Fund Contract Liabilities, net		115.7	120.7
Reinsurers' share of loss reserve	20	105.6	106.2
General Insurance Fund Contract Liabilities, gross		221.3	226.9
Fair Value Reserve		1.9	1.3
		223.2	228.2

Represented by:

General Insurance Fund Contract Liabilities

Balance at the beginning of the year		120.7	124.3
Currency translation reserve adjustment		(1.3)	(10.4)
(Decrease)/increase in loss reserve during the year, gross		(12.5)	22.7
Movement in reinsurers' share of loss reserve during the year		8.9	(17.0)
Transferred from General Insurance Revenue Statement		25.6	23.9
Transferred to Profit and Loss Statement		(25.7)	(22.8)
Balance at the end of the year		115.7	120.7

NOTES TO THE FINANCIAL STATEMENTS

17 GENERAL INSURANCE FUND (CONTINUED)

in Singapore Dollars (millions)	Note	Group	
		General Insurance Fund	
		2016	2015
<u>Fair Value Reserve</u> ⁽¹⁾			
Balance at the beginning of the year		1.3	1.4
Fair value changes on remeasuring available-for-sale investments		1.4	0.9
Transfer of fair value reserve to General Insurance Revenue Statement on sale of investments	5	(0.7)	(0.9)
Deferred tax on fair value changes	9	(0.1)	(0.1)
Balance at the end of the year		1.9	1.3

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

As at 31 December 2016, \$1.9 million (31 December 2015: \$1.3 million) pertains to the fair value reserves of the general insurance fund. This arose as a result of the general insurance 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 profit recognised in the Profit and Loss Statement includes the changes in the fair value of the investments and the fair value reserves that are not distributable to the shareholders.

18 LIFE ASSURANCE FUND

in Singapore Dollars (millions)	Note	Group	
		2016	2015
Balance at the beginning of the year		50,478.1	50,678.3
Currency translation reserve adjustment		(427.2)	(2,779.6)
Fair value reserve movement		176.6	(769.5)
Change in life assurance fund contract liabilities			
– Due to assumptions change		4.8	(13.2)
– Due to change in discount rate		161.0	(68.8)
– Due to movement during the year		5,593.0	2,983.7
Provision for deferred tax on future policyholders' bonus	9	12.6	(18.2)
Disposal of subsidiary	26	(3.5)	–
Transferred from Life Assurance Revenue Statement		(615.3)	1,095.1
Transferred to Profit and Loss Statement		(499.0)	(629.7)
Balance at the end of the year		54,881.1	50,478.1

NOTES TO THE FINANCIAL STATEMENTS

18 LIFE ASSURANCE FUND (CONTINUED)

in Singapore Dollars (millions)	Note	Group	
		2016	2015
<i>Represented by:</i>			
<u>Life Assurance Fund Contract Liabilities</u>			
Balance at the beginning of the year		47,513.9	46,974.2
Currency translation reserve adjustment		(370.7)	(2,343.8)
Change in life assurance fund contract liabilities			
– Due to assumptions change		4.8	(13.2)
– Due to change in discount rate		161.0	(68.8)
– Due to movement during the year		5,593.0	2,983.7
Provision for deferred tax on future policyholders' bonus	9	12.6	(18.2)
Disposal of subsidiary	26	(2.2)	–
Balance at the end of the year		52,912.4	47,513.9
Life assurance fund contract liabilities at 31 December comprised the following:			
Contracts with Discretionary Participating Features ("DPF")		41,989.6	37,853.2
Contracts without Discretionary Participating Features ("DPF")		5,609.0	4,671.6
Investment-linked contracts		5,313.8	4,989.1
		52,912.4	47,513.9
<u>Unallocated Surplus</u>			
Balance at the beginning of the year		801.7	558.9
Currency translation reserve adjustment		(28.6)	(222.6)
Transferred from Life Assurance Revenue Statement		(615.3)	1,095.1
Transferred to Profit and Loss Statement		(499.0)	(629.7)
Balance at the end of the year		(341.2)	801.7
<u>Fair Value Reserve ⁽¹⁾</u>			
Balance at the beginning of the year		2,162.5	3,145.2
Currency translation reserve adjustment		(27.9)	(213.2)
Fair value changes on remeasuring available-for-sale investments		500.1	(274.0)
Transfer of fair value reserve to Life Assurance			
Revenue Statement on sale of investments	5	(323.5)	(531.5)
Deferred tax on fair value changes	9	–	36.0
Disposal of subsidiary	26	(1.3)	–
Balance at the end of the year		2,309.9	2,162.5

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

As at 31 December 2016, \$148.1 million (31 December 2015: \$110.2 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

19 OTHER DEBTORS AND INTERFUND BALANCES

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2016	2015	2016	2015	2016	2015
Other debtors and interfund balances comprise the following:							
Financial Assets:							
Accrued interest and dividend receivable		474.6	435.9	36.2	35.1	438.4	400.8
Investment debtors		679.6	540.2	27.2	22.8	652.4	517.4
Other receivables		60.7	49.1	4.3	5.8	56.4	43.3
Deposits collected		39.7	38.5	0.5	0.4	39.2	38.1
Interfund balances		1,386.3	1,287.0	1,386.3	1,287.0	-	-
	22	2,640.9	2,350.7	1,454.5	1,351.1	1,186.4	999.6
Non-Financial Assets:							
Prepayments and others		50.1	234.9	34.0	98.8	16.1	136.1
		2,691.0	2,585.6	1,488.5	1,449.9	1,202.5	1,135.7

As at 31 December 2016, the Company had prepayments of \$0.1 million (31 December 2015: \$0.1 million).

20 INSURANCE RECEIVABLES

Insurance receivables comprise the following:

Financial Assets:

Due from policyholders:

Outstanding premiums		249.4	238.3	39.3	35.8	210.1	202.5
Policy loans		2,186.3	2,162.4	-	-	2,186.3	2,162.4

Due from reinsurers:

Amounts due from reinsurers		13.5	18.6	6.5	12.2	7.0	6.4
	22	2,449.2	2,419.3	45.8	48.0	2,403.4	2,371.3

Non-Financial Assets:

Due from reinsurers:

Unexpired risk reserve	16	49.7	50.5	49.7	50.5	-	-
Loss reserve	17	105.6	106.2	105.6	106.2	-	-
		2,604.5	2,576.0	201.1	204.7	2,403.4	2,371.3

NOTES TO THE FINANCIAL STATEMENTS

21 AMOUNTS DUE FROM SUBSIDIARIES

in Singapore Dollars (millions)	Note	Company	
		2016	2015
Amounts due from subsidiaries		2,532.8	1,839.0
Loans to subsidiaries		9.1	9.1
Provision for impairment of unsecured loan to subsidiary	6	(7.0)	(7.0)
	22	2,534.9	1,841.1

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.

22 LOANS AND RECEIVABLES

in Singapore Dollars (millions)	Note	Group				Company			
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund			
		2016	2015	2016	2015	2016	2015		
Loans comprise the following:									
Secured loans		1,554.6	1,720.5	31.9	31.9	1,522.7	1,688.6	-	-
Unsecured loans		60.5	90.1	15.4	15.1	45.1	75.0	-	-
		1,615.1	1,810.6	47.3	47.0	1,567.8	1,763.6	-	-
less: Provision for impairment of secured loans	6	6.1	2.1	2.1	2.1	4.0	-	-	-
		1,609.0	1,808.5	45.2	44.9	1,563.8	1,763.6	-	-
If loans were carried at fair value, the carrying amounts would be as follows:									
Loans		1,618.5	1,818.1	45.6	45.0	1,572.9	1,773.1	-	-
Loans and receivables:									
Cash and cash equivalents		3,526.6	3,491.1	759.4	751.9	2,767.2	2,739.2	20.8	317.0
Other debtors and interfund balances	19	2,640.9	2,350.7	1,454.5	1,351.1	1,186.4	999.6	-	-
Insurance receivables	20	2,449.2	2,419.3	45.8	48.0	2,403.4	2,371.3	-	-
Loans		1,609.0	1,808.5	45.2	44.9	1,563.8	1,763.6	-	-
Amounts due from subsidiaries	21	-	-	-	-	-	-	2,534.9	1,841.1
Total loans and receivables at amortised cost		10,225.7	10,069.6	2,304.9	2,195.9	7,920.8	7,873.7	2,555.7	2,158.1

NOTES TO THE FINANCIAL STATEMENTS

23 DERIVATIVE FINANCIAL INSTRUMENTS

	Notional Principal	Derivative Financial Assets	Derivative Financial Liabilities	Notional Principal	Derivative Financial Assets	Derivative Financial Liabilities
in Singapore Dollars (millions)	2016	2016	2016	2015	2015	2015
23.1 Total						
Foreign exchange:						
Forwards	8,141.3	33.7	(227.6)	6,484.1	10.5	(39.4)
Currency swaps	3,283.1	5.3	(471.8)	2,825.8	23.1	(467.4)
Interest rates:						
Swaps	1,213.7	43.8	(37.8)	1,015.6	2.9	(14.5)
Exchange traded futures	288.5	2.1	(0.3)	605.7	1.6	(0.1)
Equity:						
Options	-	-	-	0.5	-	-
	12,926.6	84.9	(737.5)	10,931.7	38.1	(521.4)
23.2 Shareholders' and General Insurance Funds						
Foreign exchange:						
Forwards	447.1	6.5	(4.5)	520.1	1.5	(3.6)
Currency swaps	1.4	-	(0.1)	6.4	-	(1.3)
	448.5	6.5	(4.6)	526.5	1.5	(4.9)
23.3 Life Assurance Fund						
Foreign exchange:						
Forwards	7,694.2	27.2	(223.1)	5,964.0	9.0	(35.8)
Currency swaps	3,281.7	5.3	(471.7)	2,819.4	23.1	(466.1)
Interest rates:						
Swaps	1,213.7	43.8	(37.8)	1,015.6	2.9	(14.5)
Exchange traded futures	288.5	2.1	(0.3)	605.7	1.6	(0.1)
Equity:						
Options	-	-	-	0.5	-	-
	12,478.1	78.4	(732.9)	10,405.2	36.6	(516.5)

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

23 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

23.4 Hedge of net investments in foreign operations

Included in derivative financial instruments as at 31 December 2016 were foreign exchange forward contracts designated as hedges of the net investments in the Group's subsidiaries. The foreign exchange forward contracts are being used to hedge the Group's exposure to foreign exchange risk on these investments. The movement in fair value of the foreign exchange forward contracts are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries. There is no ineffectiveness in the year ended 31 December 2016 (31 December 2015: nil).

in Singapore Dollars (millions)	Notional	Derivative	Derivative	Notional	Derivative	Derivative
	Principal	Financial	Financial	Principal	Financial	Financial
	2016	Assets	Liabilities	2015	Assets	Liabilities
Foreign exchange:						
Forwards	196.5	4.0	-	328.1	1.3	(1.9)

24 INVESTMENTS

in Singapore Dollars (millions)	Note	Group						
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund		
		2016	2015	2016	2015	2016	2015	
24.1 Available-for-sale financial assets								
Equity securities								
(i)	Quoted equity securities	10,697.3	10,481.8	1,323.3	1,226.7	9,374.0	9,255.1	
(ii)	Unquoted equity securities	709.0	776.0	50.7	53.6	658.3	722.4	
		11,406.3	11,257.8	1,374.0	1,280.3	10,032.3	9,977.5	
less:	Provision for impairment of quoted equity securities	6	282.0	160.0	9.5	13.1	272.5	146.9
	Provision for impairment of unquoted equity securities	6	40.7	38.3	12.3	10.9	28.4	27.4
			11,083.6	11,059.5	1,352.2	1,256.3	9,731.4	9,803.2
Debt securities								
(iii)	Quoted debt securities ⁽¹⁾	24,284.4	20,753.1	2,306.4	2,250.6	21,978.0	18,502.5	
(iv)	Unquoted debt securities	11,662.0	11,600.3	576.9	651.4	11,085.1	10,948.9	
		35,946.4	32,353.4	2,883.3	2,902.0	33,063.1	29,451.4	
less:	Provision for impairment of unquoted debt securities	6	12.0	5.5	8.1	5.5	3.9	-
			35,934.4	32,347.9	2,875.2	2,896.5	33,059.2	29,451.4
Other investments								
(v)	Collective investment schemes ⁽²⁾	5,271.3	3,624.6	878.3	654.0	4,393.0	2,970.6	
less:	Provision for impairment of collective investment schemes	6	80.4	47.9	8.3	3.7	72.1	44.2
			5,190.9	3,576.7	870.0	650.3	4,320.9	2,926.4
Total available-for-sale financial assets			52,208.9	46,984.1	5,097.4	4,803.1	47,111.5	42,181.0

NOTES TO THE FINANCIAL STATEMENTS

24 INVESTMENTS (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2016	2015	2016	2015	2016	2015
24.2 Securities at fair value through profit or loss							
Equity securities							
(i)	Quoted equity securities	2,033.0	2,070.3	157.5	135.0	1,875.5	1,935.3
(ii)	Unquoted equity securities	1.8	2.1	–	–	1.8	2.1
		2,034.8	2,072.4	157.5	135.0	1,877.3	1,937.4
Debt securities							
(iii)	Quoted debt securities	518.8	430.8	37.7	20.6	481.1	410.2
(iv)	Unquoted debt securities	536.7	402.4	–	–	536.7	402.4
		1,055.5	833.2	37.7	20.6	1,017.8	812.6
Other investments							
(v)	Collective investment schemes ⁽²⁾	1,992.0	1,813.3	7.2	8.0	1,984.8	1,805.3
Total securities at fair value through profit or loss ⁽³⁾		5,082.3	4,718.9	202.4	163.6	4,879.9	4,555.3
24.3 Financial instruments held-for-trading							
Equity securities							
(i)	Quoted equity securities	7.4	6.5	–	–	7.4	6.5
		7.4	6.5	–	–	7.4	6.5
Debt securities							
(ii)	Quoted debt securities	485.2	429.4	18.1	27.0	467.1	402.4
(iii)	Unquoted debt securities	599.5	919.4	19.2	14.2	580.3	905.2
		1,084.7	1,348.8	37.3	41.2	1,047.4	1,307.6
Total financial instruments held-for-trading		1,092.1	1,355.3	37.3	41.2	1,054.8	1,314.1
TOTAL INVESTMENTS		58,383.3	53,058.3	5,337.1	5,007.9	53,046.2	48,050.4

⁽¹⁾ Included in quoted debt securities are quoted government securities amounting to \$6.7 million (2015: \$6.1 million) which are lodged with the regulator as statutory deposits.

⁽²⁾ Collective investment schemes include but are not limited to unit trusts, hedge funds and real estate investment funds.

⁽³⁾ These securities are designated as fair value through Profit and Loss Statement or Revenue Statements on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

25 ASSOCIATES

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2016	2015	2016	2015	2016	2015
Investment in shares, at cost	80.5	80.5	9.3	9.3	71.2	71.2
Share of post-acquisition results	(37.1)	(28.4)	(3.5)	(2.2)	(33.6)	(26.2)
Currency translation adjustment	4.0	0.7	0.5	–	3.5	0.7
	(33.1)	(27.7)	(3.0)	(2.2)	(30.1)	(25.5)
Carrying amount at 31 December	47.4	52.8	6.3	7.1	41.1	45.7

For the current financial period, the Group recognised certain associates' share of operating results based on unaudited records available up to 30 November 2016 as the information as at 31 December 2016 was not available at the reporting date.

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

in Singapore Dollars (millions)	2016	2015
Loss after tax from continuing operations	(0.2)	(0.2)
Total comprehensive income	(0.2)	(0.2)

26 SUBSIDIARIES

in Singapore Dollars (millions)	Company	
	2016	2015
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.

NOTES TO THE FINANCIAL STATEMENTS

26 SUBSIDIARIES (CONTINUED)

26.1 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 NCI	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of the reporting period	Dividends paid to NCI
in Singapore Dollars (millions)					
31 December 2016:					
Lion Global Investors Limited	Singapore	30%	11.6	62.3	–
31 December 2015:					
Lion Global Investors Limited	Singapore	30%	10.2	51.4	–

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.

26.2 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	
	2016	2015
Current		
Assets	148.4	168.5
Liabilities	(33.8)	(32.3)
Net current assets	114.6	136.2
Non-current		
Assets	98.3	37.9
Net non-current assets	98.3	37.9
Net assets	212.9	174.1

Summarised statement of comprehensive income

in Singapore Dollars (millions)	2016	2015
Revenue	85.3	79.5
Profit before income tax	45.3	40.1
Income tax expense	(6.7)	(6.2)
Profit after tax – continuing operations	38.6	33.9
Other comprehensive income	0.2	3.2
Total comprehensive income	38.8	37.1

Other summarised information

Net cash flows from operations	35.2	41.5
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NOTES TO THE FINANCIAL STATEMENTS

26 SUBSIDIARIES (CONTINUED)

26.3 Loss of control in subsidiary

The Group entered into a sale agreement to dispose of its interest in its subsidiary, Great Eastern Life (Vietnam) Company Limited ("GELV"), for a cash consideration of \$48.2 million. The disposal was completed on 21 June 2016, on which date control of GELV passed to the acquirer.

The value of the assets and liabilities of GELV recorded in the consolidated financial statements as at 21 June 2016, and the cash flow effect of the disposal were:

in Singapore Dollars (millions)	Note	2016
Property, plant and equipment	30	0.5
Investments		25.2
Insurance receivables		0.2
Other debtors		14.1
Cash and cash equivalents		24.6
		64.6
Other creditors		(13.4)
Insurance payables		(0.2)
Life assurance fund	18	(3.5)
Carrying value of net assets		47.5
		48.2
Total consideration		48.2
Cash and cash equivalents of the subsidiary		(24.6)
Net cash inflow on disposal of a subsidiary		23.6
<u>Loss on disposal:</u>		
Cash received		48.2
Net asset derecognised		(47.5)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on disposal		(20.9)
Fair value reserve of the subsidiary reclassified from equity on disposal		1.5
Loss on disposal		(18.7)

NOTES TO THE FINANCIAL STATEMENTS

27 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), Asset Backed Securities (ABS), Collateralised Debt Obligation (CDO) and Structured Deposits (SD).
- 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).

The Group's holdings 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.

27.1 Interests in unconsolidated structured entities

As part of its investment activities, the Group invests in unconsolidated structured entities. As at 31 December 2016, the Group's total interest in unconsolidated structured entities was \$8,115.0 million (31 December 2015: \$6,744.4 million) on the Group's balance sheet.

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

NOTES TO THE FINANCIAL STATEMENTS

27 INTERESTS IN STRUCTURED ENTITIES (CONTINUED)

27.1 Interests in unconsolidated structured entities (continued)

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	
	2016	2015	2016	2015	2016	2015
Debt securities						
<i>Analysed as:</i>						
MBS	-	-	194.1	280.8	194.1	280.8
ABS	-	-	91.2	109.4	91.2	109.4
CDO	-	-	0.5	0.8	0.5	0.8
SD	-	-	598.9	918.6	598.9	918.6
Collective investment schemes						
<i>Analysed as:</i>						
Hedge funds	44.9	50.1	594.8	568.7	639.7	618.8
Private equity funds	2.5	2.7	730.6	731.6	733.1	734.3
Unit trusts	-	-	1,691.0	1,578.3	1,691.0	1,578.3
REITs	-	-	762.4	595.1	762.4	595.1
ETF	-	-	1,520.8	522.3	1,520.8	522.3
OEIC	-	-	1,883.3	1,386.0	1,883.3	1,386.0
Total	47.4	52.8	8,067.6	6,691.6	8,115.0	6,744.4

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.

27.2 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	
	2016	2015	2016	2015
Collective investment schemes	1,949.1	2,199.2	28.4	25.2
Financial instruments held-for-trading – debt securities	13.0	13.0	0.2	0.3
Total	1,962.1	2,212.2	28.6	25.5

NOTES TO THE FINANCIAL STATEMENTS

28 INTANGIBLE ASSETS

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2016	2015	2016	2015	2016	2015
Goodwill	28.1	31.4	31.5	31.4	31.5	–	–
Club Membership	28.3	0.6	0.6	0.1	0.1	0.5	0.5
Carrying amount at 31 December		32.0	32.1	31.5	31.6	0.5	0.5

28.1 Goodwill

Cost:

At 1 January		38.3	40.1	31.5	33.3	6.8	6.8
Currency translation reserve adjustment		(0.1)	(1.8)	(0.1)	(1.8)	–	–
At 31 December		38.2	38.3	31.4	31.5	6.8	6.8

Impairment:

At 1 January and 31 December		(6.8)	(6.8)	–	–	(6.8)	(6.8)
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Net carrying amount:

At 1 January		31.5	33.3	31.5	33.3	–	–
Currency translation reserve adjustment		(0.1)	(1.8)	(0.1)	(1.8)	–	–
At 31 December	28	31.4	31.5	31.4	31.5	–	–

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 \$19.0 million, \$5.9 million and \$6.5 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

28 INTANGIBLE ASSETS (CONTINUED)

28.2 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 2016	\$19.0 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	2%
Discount rate ⁽³⁾	11%

Subsidiary – Straits Eastern Square Pte Ltd

Carrying value of capitalised goodwill as at 31 December 2016	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 2016	\$5.9 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	4%
Discount rate ⁽³⁾	10%

Subsidiary – Pacific Mutual Fund Berhad

Carrying value of capitalised goodwill as at 31 December 2016	\$6.5 million
Basis on which recoverable values are determined ⁽¹⁾	Value in use
Terminal growth rate ⁽²⁾	4%
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. The fair value derived is categorised under Level 3 of the fair value hierarchy.

No impairment loss was required to be recognised for the financial year ended 31 December 2016 (2015: 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

28 INTANGIBLE ASSETS (CONTINUED)

in Singapore Dollars (millions)	Note	Group					
		Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
		2016	2015	2016	2015	2016	2015
28.3 Club Membership							
Cost:							
At 1 January		0.6	–	0.1	–	0.5	–
Addition – acquired separately		–	0.6	–	0.1	–	0.5
At 31 December	28	0.6	0.6	0.1	0.1	0.5	0.5

29 INVESTMENT PROPERTIES

in Singapore Dollars (millions)	Note	Group	
		2016	2015
Life Assurance Fund			
Balance sheet:			
At 1 January		1,568.1	1,632.0
Additions (subsequent expenditure)		–	0.2
Net loss from fair value adjustments	5	(16.4)	(37.6)
Disposals/assets written off		(8.5)	–
Currency translation reserve adjustment		(4.2)	(26.5)
At 31 December		1,539.0	1,568.1
Revenue statement:			
Rental income from investment properties:			
– Minimum lease payments		33.6	37.4
Direct operating expenses (including repairs and maintenance) arising from:			
– Rental generating properties		(13.9)	(12.8)
– Non-rental generating properties		(0.1)	(0.2)
		(14.0)	(13.0)

Investment properties within the Life Assurance Fund 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

30 PROPERTY, PLANT AND EQUIPMENT

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works in Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	
30.1 TOTAL								
Cost								
At 1 January 2015		65.6	38.9	5.4	617.5	373.6	111.7	1,212.7
Additions		–	–	1.9	1.0	39.6	5.6	48.1
Disposals/assets written off		–	–	–	–	(0.6)	(0.7)	(1.3)
Reclassification		–	–	(2.1)	(0.1)	0.7	1.5	–
Currency translation reserve adjustment		(1.2)	(0.9)	(0.5)	(19.9)	(22.4)	(7.9)	(52.8)
At 31 December 2015 and 1 January 2016		64.4	38.0	4.7	598.5	390.9	110.2	1,206.7
Additions		–	–	4.9	0.4	45.6	3.5	54.4
Disposal of subsidiary	26	–	–	–	–	(2.6)	(0.9)	(3.5)
Disposals/assets written off		–	–	–	–	(2.0)	(0.4)	(2.4)
Reclassification		–	–	(0.2)	0.1	(0.1)	0.2	–
Currency translation reserve adjustment		(0.2)	(0.1)	(0.1)	(2.7)	(2.4)	(0.3)	(5.8)
At 31 December 2016		64.2	37.9	9.3	596.3	429.4	112.3	1,249.4
Accumulated Depreciation and Impairment Loss								
At 1 January 2015		(1.4)	(2.2)	–	(224.4)	(267.3)	(80.8)	(576.1)
Depreciation charge for the year		–	–	–	(12.5)	(30.4)	(8.1)	(51.0)
Disposals/assets written off		–	–	–	–	0.4	0.5	0.9
Currency translation reserve adjustment		–	0.1	–	6.4	16.5	6.6	29.6
At 31 December 2015 and 1 January 2016		(1.4)	(2.1)	–	(230.5)	(280.8)	(81.8)	(596.6)
Depreciation charge for the year	8	–	–	–	(12.3)	(36.6)	(7.3)	(56.2)
Disposal of subsidiary	26	–	–	–	–	2.1	0.9	3.0
Disposals/assets written off		–	–	–	–	2.0	0.4	2.4
Currency translation reserve adjustment		–	–	–	1.0	2.2	0.2	3.4
At 31 December 2016		(1.4)	(2.1)	–	(241.8)	(311.1)	(87.6)	(644.0)
Net Book Value								
At 31 December 2015		63.0	35.9	4.7	368.0	110.1	28.4	610.1
At 31 December 2016		62.8	35.8	9.3	354.5	118.3	24.7	605.4

NOTES TO THE FINANCIAL STATEMENTS

30 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works in Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	
30.2 Shareholders' and General Insurance Funds								
Cost								
At 1 January 2015		3.7	–	0.7	0.9	16.3	7.7	29.3
Additions		–	–	0.2	–	3.1	1.2	4.5
Disposals/assets written off		–	–	–	–	(0.2)	(0.5)	(0.7)
Reclassification		–	–	(0.6)	–	0.6	–	–
Currency translation reserve adjustment		(0.5)	–	(0.1)	(0.1)	(1.0)	(0.4)	(2.1)
At 31 December 2015 and 1 January 2016		3.2	–	0.2	0.8	18.8	8.0	31.0
Additions	8	–	–	0.2	–	5.3	0.3	5.8
Disposal of subsidiary	26	–	–	–	–	(2.6)	(0.9)	(3.5)
Reclassification		–	–	(0.2)	–	–	0.2	–
Currency translation reserve adjustment		(0.1)	–	–	–	1.0	0.7	1.6
At 31 December 2016		3.1	–	0.2	0.8	22.5	8.3	34.9
Accumulated Depreciation and Impairment Loss								
At 1 January 2015		–	–	–	–	(11.3)	(5.5)	(16.8)
Depreciation charge for the year		–	–	–	–	(2.2)	(1.2)	(3.4)
Disposals/assets written off		–	–	–	–	0.2	0.4	0.6
Currency translation reserve adjustment		–	–	–	–	0.7	0.4	1.1
At 31 December 2015 and 1 January 2016		–	–	–	–	(12.6)	(5.9)	(18.5)
Depreciation charge for the year		–	–	–	–	(2.5)	(0.6)	(3.1)
Disposal of subsidiary	26	–	–	–	–	2.1	0.9	3.0
Currency translation reserve adjustment		–	–	–	–	(0.7)	(0.8)	(1.5)
At 31 December 2016		–	–	–	–	(13.7)	(6.4)	(20.1)
Net Book Value								
At 31 December 2015		3.2	–	0.2	0.8	6.2	2.1	12.5
At 31 December 2016		3.1	–	0.2	0.8	8.8	1.9	14.8

NOTES TO THE FINANCIAL STATEMENTS

30 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

in Singapore Dollars (millions)	Note	Group						Total
		Freehold Land ⁽¹⁾	Leasehold Land ⁽¹⁾	Capital Works in Progress	Buildings ⁽¹⁾	Computer Equipment and Software Development Costs	Other Assets ⁽²⁾	
30.3 Life Assurance Fund								
Cost								
At 1 January 2015		61.9	38.9	4.7	616.6	357.3	104.0	1,183.4
Additions		–	–	1.7	1.0	36.5	4.4	43.6
Disposals/assets written off		–	–	–	–	(0.4)	(0.2)	(0.6)
Reclassification		–	–	(1.5)	(0.1)	0.1	1.5	–
Currency translation reserve adjustment		(0.7)	(0.9)	(0.4)	(19.8)	(21.4)	(7.5)	(50.7)
At 31 December 2015 and 1 January 2016		61.2	38.0	4.5	597.7	372.1	102.2	1,175.7
Additions		–	–	4.7	0.4	40.3	3.2	48.6
Disposals/assets written off		–	–	–	–	(2.0)	(0.4)	(2.4)
Reclassification		–	–	–	0.1	(0.1)	–	–
Currency translation reserve adjustment		(0.1)	(0.1)	(0.1)	(2.7)	(3.4)	(1.0)	(7.4)
At 31 December 2016		61.1	37.9	9.1	595.5	406.9	104.0	1,214.5
Accumulated Depreciation and Impairment Loss								
At 1 January 2015		(1.4)	(2.2)	–	(224.4)	(256.0)	(75.3)	(559.3)
Depreciation charge for the year		–	–	–	(12.5)	(28.2)	(6.9)	(47.6)
Disposals/assets written off		–	–	–	–	0.2	0.1	0.3
Currency translation reserve adjustment		–	0.1	–	6.4	15.8	6.2	28.5
At 31 December 2015 and 1 January 2016		(1.4)	(2.1)	–	(230.5)	(268.2)	(75.9)	(578.1)
Depreciation charge for the year	8	–	–	–	(12.3)	(34.1)	(6.7)	(53.1)
Disposals/assets written off		–	–	–	–	2.0	0.4	2.4
Currency translation reserve adjustment		–	–	–	1.0	2.9	1.0	4.9
At 31 December 2016		(1.4)	(2.1)	–	(241.8)	(297.4)	(81.2)	(623.9)
Net Book Value								
At 31 December 2015		59.8	35.9	4.5	367.2	103.9	26.3	597.6
At 31 December 2016		59.7	35.8	9.1	353.7	109.5	22.8	590.6

NOTES TO THE FINANCIAL STATEMENTS

30 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at year end, the Company held other assets with a net book value of \$0.3 million (31 December 2015: \$0.4 million), computer equipment with a net book value of \$0.1 million (31 December 2015: \$0.1 million) and capital works in progress of nil (31 December 2015: \$0.1 million). Depreciation for the year on motor vehicles was \$0.1 million (31 December 2015: \$0.1 million) and on computer equipment was \$0.1 million (31 December 2015: \$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	
	2016	2015
Freehold land, Leasehold land and Buildings	767.0	772.3

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

31 EXECUTIVES' SHARE OPTION SCHEME

31.1 OCBC Share Option Scheme

In April 2005, the GEH Optionholders were nominated to participate in the OCBC Bank Share Option Scheme (2001) ("OCBC Option Scheme"). The acquisition price of the options granted is equal to the average of the last traded price of the ordinary shares of OCBC Bank over five consecutive days immediately prior to the date of the grant. The options vest in one-third increments over a period of three years, and are exercisable after the first anniversary of the date of grant up to the date of expiration of the options. The share options have a validity period of 10 years from date of grant.

The fair value of the share options is recognised by the GEH Group as staff costs in the Profit and Loss Statement or Revenue Statements of the respective insurance funds, as appropriate. The Group uses the binomial model to derive the fair value of share options granted by OCBC Bank. The value of the share options is recognised in the Profit and Loss Statement or Revenue Statements over the vesting period of the share options. At each balance sheet date, the Group revises its estimates of the number of options that are expected to become exercisable, and the impact of the change to the original estimates, if any, is recognised in the Profit and Loss Statement or Revenue Statements accordingly.

At the Extraordinary General Meeting of OCBC Bank held on 19 April 2007, certain alterations proposed by OCBC Bank's Remuneration Committee to OCBC Option Scheme were approved by its shareholders. These alterations enable option holders to select one of the following alternatives when exercising their options:

- (i) All share election – an election to receive in full the number of ordinary shares upon full payment of the aggregate acquisition cost in respect of options exercised;
- (ii) Partial share election – an election to receive ordinary shares representing the notional profit which would have been derived if the ordinary shares in respect of the options exercised had been sold; or
- (iii) Cash election – an election to receive in cash the profit derived from the sale of OCBC Bank's share in respect of the options exercised.

In March 2016, OCBC Bank granted 526,072 options (2015: 442,967) to GEH Optionholders to acquire ordinary shares in OCBC Bank ("OCBC shares") pursuant to 2001 scheme, of which no options were granted to a director of the Company (2015: nil). The fair value of share options granted during the year ended 31 December 2016, determined using the binomial valuation model, was \$0.7 million (2015: \$0.4 million). Significant inputs that were used to determine the fair value of options granted are set out below.

NOTES TO THE FINANCIAL STATEMENTS

31 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

31.1 OCBC Share Option Scheme (continued)

	2016	2015
Acquisition price (\$)	8.81	10.38
Average share price from grant date to acceptance date (\$)	8.95	10.55
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	20.08	13.10
Risk-free rate based on SGS bond yield at acceptance date (%)	1.83	2.01
Expected dividend yield (%)	4.02	3.41
Exercise multiple (times)	1.78	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:

	2016		2015	
	Number of Options	Average Price	Number of Options	Average Price
Number of shares comprised in options:				
At beginning of year	5,553,220	\$9.273	5,589,599	\$9.086
Granted during the year	526,072	\$8.814	442,967	\$10.378
Lapsed during the year	(925,418)	\$9.371	(125,345)	\$8.379
Exercised during the year	(160,622)	\$7.352	(354,001)	\$8.029
Outstanding at end of year	4,993,252	\$9.268	5,553,220	\$9.273
Exercisable at end of year	3,861,091	\$9.264	3,408,924	\$9.026
Weighted average share price underlying the options exercised during the financial year		\$8.690		\$9.981

NOTES TO THE FINANCIAL STATEMENTS

31 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

31.1 OCBC Share Option Scheme (continued)

Details of the options outstanding as at 31 December 2016 are as follows:

Grant Year	Grant Date	Exercise Period	Acquisition Price	2016	
				Outstanding	Exercisable
2007B	14.03.2007	15.03.2008 – 13.03.2017	\$8.590	119,203	119,203
2008	14.03.2008	15.03.2009 – 13.03.2018	\$7.520	115,880	115,880
2009	16.03.2009	17.03.2010 – 15.03.2019	\$4.138	47,156	47,156
2010	15.03.2010	16.03.2011 – 14.03.2020	\$8.762	171,474	171,474
2011	14.03.2011	15.03.2012 – 13.03.2021	\$9.350	266,891	266,891
2012	14.03.2012	15.03.2013 – 13.03.2022	\$8.798	641,380	641,380
2013	14.03.2013	15.03.2014 – 13.03.2023	\$10.302	1,536,598	1,536,598
2014	14.03.2014	15.03.2015 – 13.03.2024	\$9.428	1,292,845	845,565
2015	16.03.2015	16.03.2016 – 15.03.2025	\$10.378	354,439	116,944
2016	16.03.2016	16.03.2017 – 15.03.2026	\$8.814	447,386	–
				4,993,252	3,861,091

The carrying amount of the liability recognised on the Group's balance sheet related to the above equity-settled options at 31 December 2016 is \$2.2 million (31 December 2015: \$4.1 million).

As at 31 December 2016, the weighted average remaining contractual life of outstanding options was 6.2 years (2015: 6.9 years). There were no outstanding options held by directors of the Company as at 31 December 2016 (2015: nil).

31.2 OCBC Deferred Share Plan ("DSP")

The DSP is a share-based plan implemented in 2003 and administered by the OCBC Remuneration Committee. The DSP is a discretionary share-based incentive and retention award program extended to executives of OCBC's subsidiaries at the discretion of the Remuneration Committee. The awards are granted at no cost to the grantees, on a deferred basis as part of their performance bonus. Such awards shall lapse by reason of cessation of service but may be preserved at the discretion of the Remuneration Committee. The DSP does not involve the issue of new shares. Instead, existing shares will be purchased from the market for release to the grantees at the end of the respective vesting periods.

During the financial year, 418,049 (2015: 221,114) OCBC ordinary shares were granted to eligible executives of GEH Group under the DSP, of which none (2015: nil) were granted to a director of the Company. The fair value of the shares at grant date was \$3.6 million (2015: \$2.0 million). In addition, 8,779 OCBC shares (of which none were granted to directors of the Company) were awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2015 (2015: 1,579 OCBC shares (of which none were granted to directors of the Company) awarded to grantees pursuant to declarations of final dividend for financial year ended 31 December 2014).

NOTES TO THE FINANCIAL STATEMENTS

31 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

31.3 OCBC Employee Share Purchase Plan ("ESP")

All employees of OCBC Bank and their subsidiaries who have attained the age of 21 years and have been employees for a period of not less than six months are eligible to participate in the ESP Plan unless they are also controlling shareholders of the Bank or their associates. The purpose of the ESP Plan is to provide employees with an opportunity to increase their personal equity interest in the Bank. The Bank will either issue new shares or transfer treasury shares to employees upon the exercise or conversion of acquisition rights. The ESP Plan is administered by the OCBC Bank Remuneration Committee.

The acquisition price is equal to the average of the last traded price of the ordinary shares of OCBC Bank on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the price fixing date for the acquisition price of the ordinary shares (as determined by the OCBC Bank Remuneration Committee).

A participant may participate in the ESP Plan for an offering period by making contributions in cash by means of monthly deductions from his monthly base salary and/or his designated account; and/or by monthly debits from his CPF Ordinary Account to his ESP Plan account.

In June 2016, the eleventh offering of the ESP Plan was launched, commencing on 1 July 2016 and expiring on 30 June 2018. Under the offering, OCBC Bank granted 1,215,292 (2015: 979,744) rights to acquire ordinary shares in the Bank. The fair value of the rights, determined using the binomial valuation model was \$1.1 million (2015: \$0.7 million). Significant inputs to the valuation model are set out below.

	2016	2015
Acquisition price (\$)	8.45	10.24
Closing share price at valuation date (\$)	8.45	10.13
Expected volatility based on last 250 days historical price volatility as of acceptance date (%)	20.66	13.57
Risk-free rate based on 2-year swap rate (%)	0.99	0.93
Expected dividend yield (%)	4.26	2.84

NOTES TO THE FINANCIAL STATEMENTS

31 EXECUTIVES' SHARE OPTION SCHEME (CONTINUED)

31.3 OCBC Employee Share Purchase Plan ("ESP") (continued)

A summary of the movement in the number of acquisition rights of the ESP Plan issued to GEH Group's employees is as follows:

	2016		2015	
	Number of Subscription Rights	Weighted Average Subscription Price	Number of Subscription Rights	Weighted Average Subscription Price
At 1 January	1,677,994	\$9.808	1,628,751	\$9.456
Subscriptions on commencement of plan	1,215,292	\$8.450	979,744	\$10.240
Exercised	(1,650)	\$9.320	(640,389)	\$9.633
Lapsed / Forfeited	(1,101,900)	\$9.437	(290,112)	\$9.674
At 31 December	1,789,736	\$9.115	1,677,994	\$9.808
Average share price underlying acquisition rights exercised during the year		\$8.876		\$10.258

As at 31 December 2016, the weighted average remaining contractual life of outstanding acquisition rights was 1.1 year (2015: 1.0 year). No director of GEH Group has acquisition rights under the ESP Plan (2015: nil).

32 COMMITMENTS

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2016	2015	2016	2015	2016	2015
32.1 Capital commitments	Commitments for capital expenditure not provided for in the financial statements:					
– investment properties	167.8	170.9	–	–	167.8	170.9
– property, plant and equipment	60.4	49.0	3.2	2.2	57.2	46.8
	228.2	219.9	3.2	2.2	225.0	217.7

NOTES TO THE FINANCIAL STATEMENTS

32 COMMITMENTS (CONTINUED)

32.2 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:

in Singapore Dollars (millions)	Group					
	Total		Shareholders' and General Insurance Funds		Life Assurance Fund	
	2016	2015	2016	2015	2016	2015
Within one year	43.7	29.7	–	–	43.7	29.7
After one year but not more than five years	29.4	53.8	–	–	29.4	53.8
	73.1	83.5	–	–	73.1	83.5

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 (2015: \$0.5 million).

Future minimum lease payments payable under non-cancellable operating leases contracted for as at 31 December but not recognised as liabilities, are payable as follows:

Within one year	7.6	6.8	2.8	2.6	4.8	4.2
After one year but not more than five years	13.9	13.7	4.1	5.3	9.8	8.4
	21.5	20.5	6.9	7.9	14.6	12.6

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS

The Group enters into transactions with its related parties in the normal course of business. Transactions are carried out on an arm's length basis.

33.1 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		2016	2015
	2016	2015	2016	2015	2016	2015		
Management and performance fees paid by insurance funds to subsidiaries	60.6	56.0	9.8	9.1	50.8	46.9	-	-
Fees and commission and other income received from:								
– holding company	6.0	6.6	6.0	6.6	-	-	-	-
– related parties of the holding company	9.8	9.1	2.4	2.1	7.4	7.0	-	-
Premiums received from key management personnel	2.3	0.9	0.1	0.1	2.2	0.8	-	-
Fees and commission expense paid to:								
– holding company	137.2	104.3	7.4	8.8	129.8	95.5	-	-
– related parties of the holding company	48.7	38.1	17.6	9.6	31.1	28.5	-	-
Interest income received from:								
– holding company	1.5	0.7	0.4	0.3	1.1	0.4	0.4	0.3
– related parties of the holding company	20.6	31.3	0.8	1.1	19.8	30.2	-	-
Interest expense paid to holding company	-	0.7	-	-	-	0.7	-	-
Rental income received from:								
– holding company	0.1	0.1	-	-	0.1	0.1	-	-
– related parties of the holding company	0.3	0.3	-	-	0.3	0.3	-	-
Other expenses paid to:								
– holding company	8.0	5.1	5.0	2.4	3.0	2.7	-	-
– related parties of the holding company	18.6	16.9	3.2	3.3	15.4	13.6	-	-

NOTES TO THE FINANCIAL STATEMENTS

33 RELATED PARTY TRANSACTIONS (CONTINUED)

33.2 Balance sheet balances with related parties

Balance sheet balances with related parties as at 31 December are as follows:

in Singapore Dollars (millions)	Group						Company	
	Total	2015	Shareholders' and General Insurance Funds		Life Assurance Fund		2016	2015
			2016	2015	2016	2015		
Cash and cash equivalents held with:								
– holding company	212.9	475.5	44.7	252.6	168.2	222.9	12.3	217.1
– related parties of the holding company	362.7	357.5	29.8	19.3	332.9	338.2	–	–
Amount due to/(from) holding company	1.9	4.1	1.9	4.1	–	–	(0.1)	–
Investments in debt securities of:								
– related parties of the holding company	143.5	378.5	5.9	7.7	137.6	370.8	–	–
Derivative financial assets held with:								
– holding company	64.5	26.4	2.5	–	62.0	26.4	–	–
Derivative financial liabilities held with:								
– holding company	348.7	206.3	2.0	0.9	346.7	205.4	–	–
– related parties of the holding company	9.1	33.0	–	–	9.1	33.0	–	–

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 (2015: nil).

33.3 Compensation of key management personnel

Short-term employee benefits	18.8	19.2	7.0	7.9	11.8	11.3	1.6	2.9
Other long-term benefits	0.3	0.3	0.3	0.3	–	–	–	–
Central Provident Fund/Employee Provident Fund	1.1	1.1	0.3	0.3	0.8	0.8	–	–
Share-based payments	1.8	2.2	0.1	0.5	1.7	1.7	–	–
	22.0	22.8	7.7	9.0	14.3	13.8	1.6	2.9
Comprise amounts paid to:								
Directors of the Company	2.2	3.6	1.7	3.0	0.5	0.6	1.6	2.9
Other key management personnel	19.8	19.2	6.0	6.0	13.8	13.2	–	–
	22.0	22.8	7.7	9.0	14.3	13.8	1.6	2.9

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION

Business Segments

For management purposes, the Group's operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products for the different markets. The Group's principal operations are organised into the Life Assurance, General Insurance and Shareholders segments. The results of these segments are reported separately in internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

a. Life Assurance Segment

The Life Assurance segment provides different types of products, comprising life insurance, long-term health and accident insurance, annuity business written and includes the unit-linked business. The Life Assurance segment is further organised into three reportable segments based on the type of product provided – the Participating Business, Non-participating Business and Linked Business segments. All revenues in the Life Assurance segment are from external customers.

Under the Participating Business segment, the insurance contracts issued by subsidiaries within the Group contain a discretionary participating feature. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contract entitles the policyholder to receive benefits, commonly referred to as a policyholder bonus, which is derived from the investment performance of the pool of assets and operating experience of all the participating policies managed by each insurance subsidiary within the Group.

Under the Non-participating Business segment, the insurance contracts issued by insurance subsidiaries within the Group transfer both insurance and investment risks from policyholders to the insurance subsidiaries within the Group. Other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Under the Linked Business segment, the insurance subsidiaries within the Group issue contracts which transfer insurance risk alone from policyholders to the insurance subsidiaries within the Group. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

b. General Insurance Segment

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

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

Business Segments (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments

in Singapore Dollars (millions)	Group						Note	Group	
	Fund Management and Financial Advisory Business		Others		Adjustments and Eliminations			Consolidated	
	2016	2015	2016	2015	2016	2015		2016	2015
(a) Shareholders' Fund									
Investment income, net	5.6	12.2	157.0	140.0	9.5	8.9	⁽¹⁾	172.1	161.1
(Loss)/gain on sale of investments and changes in fair value	(3.6)	(6.9)	57.8	102.8	-	-		54.2	95.9
Gain on disposal of interest in a joint venture	-	-	-	3.6	-	-		-	3.6
Loss on disposal of subsidiary	-	-	(18.7)	-	-	-		(18.7)	-
Increase in provision for impairment of assets	-	-	(16.3)	(27.0)	-	-		(16.3)	(27.0)
(Loss)/gain on exchange differences	(3.2)	(15.8)	5.7	45.6	-	-		2.5	29.8
Profit from Shareholders' Fund's investments	(1.2)	(10.5)	185.5	265.0	9.5	8.9		193.8	263.4
Fees and other income	90.4	85.2	1.6	3.5	(9.5)	(8.9)	⁽¹⁾	82.5	79.8
Profit before expenses	89.2	74.7	187.1	268.5	-	-		276.3	343.2
Management and other expenses	43.7	42.3	36.2	40.2	-	-		79.9	82.5
Interest expense	-	-	18.3	18.3	-	-		18.3	18.3
Depreciation	0.5	1.1	0.8	0.7	-	-		1.3	1.8
Total expenses	44.2	43.4	55.3	59.2	-	-		99.5	102.6
Profit after expenses	45.0	31.3	131.8	209.3	-	-		176.8	240.6
Share of loss after income tax of associates	-	-	(1.2)	(7.7)	-	-		(1.2)	(7.7)
Segment profit before income tax	45.0	31.3	130.6	201.6	-	-		175.6	232.9
Income tax	(7.2)	(6.3)	(94.3)	(85.7)	-	-		(101.5)	(92.0)
Segment profit after income tax	37.8	25.0	36.3	115.9	-	-		74.1	140.9
Reconciliation to consolidated Profit & Loss Statement:									
Profit from insurance business								524.7	652.5
Profit per Profit & Loss Statement								598.8	793.4

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

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

	Group						Group	
	Fund Management and Financial Advisory Business		Others		Adjustments and Eliminations		Consolidated	
in Singapore Dollars (millions)	2016	2015	2016	2015	2016	2015	2016	2015
(a) Shareholders' Fund (continued)								
Other material items:								
Interest income	2.3	6.9	101.2	90.8	-	-	103.5	97.7
Staff costs and related expenses (including executive directors and key management personnel compensation)	38.9	38.7	41.9	37.0	-	-	80.8	75.7
Rental expense	2.3	2.3	4.4	3.7	-	-	6.7	6.0
Interest expense	-	-	18.3	18.3	-	-	18.3	18.3
Non-cash items:								
Depreciation	0.5	1.1	0.8	0.7	-	-	1.3	1.8
Impairment of assets	-	-	16.3	27.0	-	-	16.3	27.0
Changes in fair value of investments:								
– through Profit & Loss Statement	3.1	8.3	(14.8)	(40.5)	-	-	(11.7)	(32.2)
– through equity	(4.7)	4.1	69.2	13.2	-	-	64.5	17.3
in Singapore Dollars (millions)	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
Assets and liabilities:								
Segment assets	312.8	278.0	7,130.9	6,785.4	15.7	15.7	7,459.4	7,079.1
Investments in associates	-	-	6.3	7.1	-	-	6.3	7.1
Total assets	312.8	278.0	7,137.2	6,792.5	15.7	15.7	7,465.7	7,086.2
Segment liabilities	88.7	131.4	484.0	411.6	-	-	572.7	543.0
Income tax and deferred tax liabilities	5.8	7.4	223.0	238.8	-	-	228.8	246.2
Total liabilities	94.5	138.8	707.0	650.4	-	-	801.5	789.2
Other segment information:								
Additions to non-current assets								
– property, plant and equipment	1.1	0.4	0.9	1.3	-	-	2.0	1.7

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

(b) General Insurance Fund

The segment profit/(loss) information for general insurance fund has not been presented below as it is considered a single business segment and disclosure of the information can be found in the General Insurance Revenue Statement. All revenues in the General Insurance Fund are from external customers. Material non-cash items consist of depreciation and impairment of assets, which can be found in the General Insurance Revenue Statement.

in Singapore Dollars (millions)	Group	
	General Insurance Fund	
	2016	2015
Other material items:		
Interest income	13.9	13.7
Staff costs and related expenses (including executive directors and key management personnel compensation)	27.8	26.3
Rental expense	2.6	2.4
in Singapore Dollars (millions)	31 Dec 16	31 Dec 15
Assets and liabilities:		
Total assets	424.7	425.8
Segment liabilities	420.4	421.2
Income tax and deferred tax liabilities	4.3	4.6
Total liabilities	424.7	425.8
Other segment information:		
Additions to non-current assets		
– property, plant and equipment	3.8	2.8

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
(c) Life Assurance Fund										
Premiums less reassurances	5,909.4	5,151.8	1,718.3	1,404.9	1,439.6	1,389.5	-	-	9,067.3	7,946.2
Commissions received from reinsurers	5.5	12.1	12.6	10.8	2.8	2.2	-	-	20.9	25.1
Investment income, net	1,648.3	1,581.8	210.3	195.8	116.3	105.4	-	-	1,974.9	1,883.0
Rental income, net	53.5	56.5	4.2	4.5	-	-	(0.4)	(0.4)	57.3	60.6
Gain/(loss) on sale of investments and changes in fair value	174.1	(108.3)	2.6	27.5	124.0	(55.8)	-	-	300.7	(136.6)
Gain on exchange differences	192.9	465.4	45.2	103.5	1.6	1.9	-	-	239.7	570.8
Segment revenue	7,983.7	7,159.3	1,993.2	1,747.0	1,684.3	1,443.2	(0.4)	(0.4)	11,660.8	10,349.1
Gross claims, surrenders and annuities	3,499.1	3,482.2	660.6	712.7	757.9	768.6	-	-	4,917.6	4,963.5
Claims, surrenders and annuities recovered from reinsurers	(12.3)	(15.5)	(71.0)	(54.7)	(13.4)	(13.2)	-	-	(96.7)	(83.4)
Commissions and agency expenses	381.7	338.4	188.1	152.8	262.2	248.5	-	-	832.0	739.7
Increase in provision for impairment of assets	217.8	143.8	16.2	5.1	-	-	-	-	234.0	148.9
Management expenses	164.9	155.1	87.4	80.6	123.1	107.8	(0.4)	(0.4)	375.0	343.1
Interest expense	-	0.4	-	-	-	-	-	-	-	0.4
Agents' retirement benefits	18.6	19.1	1.8	1.7	11.0	8.7	-	-	31.4	29.5
Depreciation	42.8	37.4	7.4	7.0	2.9	3.2	-	-	53.1	47.6
Change in life assurance fund contract liabilities	4,465.6	2,376.8	942.3	366.1	363.5	140.6	-	-	5,771.4	2,883.5
Segment expense	8,778.2	6,537.7	1,832.8	1,271.3	1,507.2	1,264.2	(0.4)	(0.4)	12,117.8	9,072.8

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non- Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
(c) Life Assurance Fund (continued)										
Segment (loss)/profit before share of loss of associates	(794.5)	621.6	160.4	475.7	177.1	179.0	-	-	(457.0)	1,276.3
Share of loss after income tax of associates	(7.4)	(0.2)	-	-	-	-	-	-	(7.4)	(0.2)
Segment (loss)/profit before income tax	(801.9)	621.4	160.4	475.7	177.1	179.0	-	-	(464.4)	1,276.1
Income tax	(127.7)	(136.5)	(13.5)	(34.1)	(9.7)	(10.4)	-	-	(150.9)	(181.0)
Segment (loss)/profit after income tax	(929.6)	484.9	146.9	441.6	167.4	168.6	-	-	(615.3)	1,095.1
Retained in life assurance fund	(1,073.4)	350.4	(36.0)	110.8	(4.9)	4.2	-	-	(1,114.3)	465.4
Transferred to Profit and Loss Statement	143.8	134.5	182.9	330.8	172.3	164.4	-	-	499.0	629.7
	(929.6)	484.9	146.9	441.6	167.4	168.6	-	-	(615.3)	1,095.1
Other material items:										
Interest income	1,310.4	1,272.9	206.6	197.2	99.1	88.0	-	-	1,616.1	1,558.1
Staff costs and related expenses (including executive directors and key management personnel compensation)	110.9	102.5	42.3	40.9	48.1	42.6	-	-	201.3	186.0
Rental expense	8.9	8.6	3.8	3.8	3.2	3.2	(0.4)	(0.4)	15.5	15.2
Interest expense on policy benefits	146.4	135.6	0.1	0.1	-	-	-	-	146.5	135.7
Non-cash items:										
Depreciation	42.8	37.4	7.4	7.0	2.9	3.2	-	-	53.1	47.6
Impairment of assets	217.8	143.8	16.2	5.1	-	-	-	-	234.0	148.9
Changes in fair value of investments:										
- through Profit & Loss Statement	(112.8)	(518.3)	(13.9)	(56.8)	124.0	(55.8)	-	-	(2.7)	(630.9)
- through life assurance fund	435.7	(215.6)	63.1	(58.4)	-	-	-	-	498.8	(274.0)

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

(1) By Business Segments (continued)

in Singapore Dollars (millions)	Group									
	Participating Business		Non-Participating Business		Linked Business		Adjustments and Eliminations		Consolidated	
	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
(c) Life Assurance Fund (continued)										
Assets and liabilities:										
Segment assets	50,348.4	46,738.7	7,119.9	6,109.1	5,723.3	5,415.2	-	-	63,191.6	58,263.0
Investments in associates	40.7	45.2	0.4	0.5	-	-	-	-	41.1	45.7
Total assets	50,389.1	46,783.9	7,120.3	6,109.6	5,723.3	5,415.2	-	-	63,232.7	58,308.7
Segment liabilities	49,211.2	45,605.0	7,036.8	5,986.9	5,713.1	5,402.2	-	-	61,961.1	56,994.1
Income tax and deferred tax liabilities	1,177.9	1,178.9	83.5	122.7	10.2	13.0	-	-	1,271.6	1,314.6
Total liabilities	50,389.1	46,783.9	7,120.3	6,109.6	5,723.3	5,415.2	-	-	63,232.7	58,308.7
Other segment information:										
Additions to non- current assets										
- property, plant and equipment	44.3	39.9	4.0	2.9	0.3	0.8	-	-	48.6	43.6
- investment properties	-	0.2	-	-	-	-	-	-	-	0.2

NOTES TO THE FINANCIAL STATEMENTS

34 SEGMENTAL INFORMATION (CONTINUED)

(2) By Geographical Segments

in Singapore Dollars (millions)	Group									
	Singapore		Malaysia		Other Asia		Adjustments and Eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
(a) Shareholders' Fund										
Investment income, net	156.0	152.4	14.5	6.5	1.6	2.2	-	-	172.1	161.1
Gain on sale of investments and changes in fair value	51.5	94.9	2.7	1.0	-	-	-	-	54.2	95.9
Fees and other income	78.8	75.1	3.7	4.7	-	-	-	-	82.5	79.8
Total revenue from external customers	286.3	322.4	20.9	12.2	1.6	2.2	-	-	308.8	336.8
Dividend from subsidiaries	245.1	191.2	-	-	-	-	(245.1)	(191.2)	-	-
Total revenue	531.4	513.6	20.9	12.2	1.6	2.2	(245.1)	(191.2)	308.8	336.8
Profit/(loss) after income tax	564.3	735.0	262.6	250.9	17.0	(1.3)	(245.1)	(191.2)	598.8	793.4
<u>As at 31 December:</u>										
Non-current assets	22.1	21.1	12.9	13.1	-	0.6	-	-	35.0	34.8
(b) General Insurance Fund										
Total revenue from external customers	76.8	78.2	119.6	119.4	-	-	-	-	196.4	197.6
<u>As at 31 December:</u>										
Non-current assets	2.9	1.5	8.4	7.8	-	-	-	-	11.3	9.3
(c) Life Assurance Fund										
Total revenue from external customers	7,859.7	6,675.6	3,652.0	3,552.6	149.1	120.9	-	-	11,660.8	10,349.1
<u>As at 31 December:</u>										
Non-current assets	1,777.1	1,806.3	346.5	354.9	6.5	5.0	-	-	2,130.1	2,166.2

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

NOTES TO THE FINANCIAL STATEMENTS

35 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance framework

Managing risk is an integral part of the Group's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Group shall:

- Always operate within the risk appetite set by the Board; and
- Ensure reward commensurate for any risk taken.

Group Risk Management department spearheads the development and implementation of the ERM Framework for the Group.

The Board is responsible to provide oversight on the risk management initiatives. The Board may delegate this responsibility to the Risk Management Committee ("RMC"). 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Capital management (continued)

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 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.

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 2016 amounted to \$10.3 billion (31 December 2015: \$9.9 billion) while available capital of the consolidated Malaysia insurance subsidiaries as at 31 December 2016 amounted to \$7.2 billion (31 December 2015: \$7.5 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

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 in provision for future claims and expenses 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. 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- or equivalent are considered when deciding on which reinsurers to reinsure the Group's risk. The Group limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses to ensure that the policies, guidelines and limits put in place to manage the risks remain adequate and appropriate.

A substantial portion of the Group's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus and dividends payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for the Group is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed at least once a year. The purpose of the ST is to test the solvency of the life fund under various scenarios according to prescribed statutory valuation basis, simulating drastic changes in major parameters such as new business volume, investment environment, expense patterns, mortality/morbidity patterns and lapse rates.

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

TABLE 35(A): The table below sets out the concentration of the life insurance risk as at the balance sheet date, net of reinsurance:

in Singapore Dollars (millions)	Life Assurance	
	As at 31 December 2016 Insurance liabilities	As at 31 December 2015 Insurance liabilities
(i) by Class of business:		
Whole life	30,912.0	27,630.9
Endowment	18,285.5	16,465.9
Term	424.1	407.6
Accident and health	1,588.1	1,392.4
Annuity	546.9	542.7
Others	1,155.8	1,074.4
Total	52,912.4	47,513.9
(ii) by Country:		
Singapore	34,653.2	30,681.3
Malaysia	17,783.2	16,385.3
Others	476.0	447.3
Total	52,912.4	47,513.9

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

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

TABLE 35(B1): Profit/(Loss) After Tax and Shareholders' Equity sensitivity for the Singapore segment:

Impact on 1-year's profit/(loss) after tax and Shareholders' Equity

in Singapore Dollars (millions)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2016							
Gross impact	(22.8)	(51.4)	60.9	(88.0)	58.1	(72.1)	(21.8)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(22.8)	(51.4)	60.9	(88.0)	58.1	(72.1)	(21.8)
2015							
Gross impact	(49.8)	(24.9)	68.5	(122.3)	51.0	(63.7)	(28.1)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(49.8)	(24.9)	68.5	(122.3)	51.0	(63.7)	(28.1)

TABLE 35(B2): Profit/(Loss) After Tax and Shareholders' Equity sensitivity for the Malaysia segment:

Impact on 1-year's profit/(loss) after tax and Shareholders' Equity

in Singapore Dollars (millions)	Scenario 1	Scenario 2	Scenario 3	Scenario 4	Scenario 5	Scenario 6	Scenario 7
2016							
Gross impact	(70.4)	59.1	(11.9)	10.5	(6.5)	7.7	(11.7)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(70.4)	59.1	(11.9)	10.5	(6.5)	7.7	(11.7)
2015							
Gross impact	(58.6)	50.9	(13.7)	10.4	(5.4)	6.5	(11.1)
Reinsurance ceded	-	-	-	-	-	-	-
Net impact	(58.6)	50.9	(13.7)	10.4	(5.4)	6.5	(11.1)

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts

Risks under non-life insurance policies usually cover a twelve-month duration. The risk inherent in non-life insurance contracts is reflected in the insurance contract liabilities which include the premium and claims liabilities, as set out under Notes 16 and 17 of the financial statements. The premium liabilities comprise reserve for unexpired risks, while the claims liabilities comprise the loss reserves which include both provision for outstanding claims notified and outstanding claims incurred but not reported.

TABLE 35(C1): The table below sets out the concentration of the non-life insurance risk as at the balance sheet date:

(i) by Class of business:

in Singapore Dollars (millions)	Non-life Insurance Contracts					
	As at 31 December 2016			As at 31 December 2015		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
Fire	29.2	(18.2)	11.0	25.5	(15.6)	9.9
Motor	26.2	(0.8)	25.4	29.9	(1.9)	28.0
Marine & aviation	7.6	(6.3)	1.3	8.9	(7.2)	1.7
Workmen's compensation	12.7	(4.3)	8.4	12.6	(4.2)	8.4
Personal accident & health	20.8	(2.4)	18.4	19.4	(2.5)	16.9
Miscellaneous	28.4	(17.7)	10.7	30.3	(19.1)	11.2
Total	124.9	(49.7)	75.2	126.6	(50.5)	76.1

in Singapore Dollars (millions)	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
	Fire	39.7	(30.8)	8.9	37.3	(29.8)
Motor	64.6	(4.7)	59.9	72.3	(5.5)	66.8
Marine & aviation	12.1	(9.2)	2.9	7.1	(4.9)	2.2
Workmen's compensation	26.1	(10.0)	16.1	24.9	(9.3)	15.6
Personal accident & health	15.4	(2.4)	13.0	15.4	(1.9)	13.5
Miscellaneous	63.4	(48.5)	14.9	69.9	(54.8)	15.1
Total	221.3	(105.6)	115.7	226.9	(106.2)	120.7

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

Insurance Risk of Non-Life Insurance Contracts (continued)

TABLE 35(C1): The table below sets out the concentration of the non-life insurance risk as at the balance sheet date (continued):

(ii) by Country:

	Non-life Insurance Contracts					
	As at 31 December 2016			As at 31 December 2015		
	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities	Gross premium liabilities	Reinsured premium liabilities	Net premium liabilities
in Singapore Dollars (millions)						
Singapore	64.0	(30.5)	33.5	60.0	(26.0)	34.0
Malaysia	60.9	(19.2)	41.7	66.6	(24.5)	42.1
Total	124.9	(49.7)	75.2	126.6	(50.5)	76.1
	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities	Gross claims liabilities	Reinsured claims liabilities	Net claims liabilities
in Singapore Dollars (millions)						
Singapore	93.1	(44.0)	49.1	93.7	(45.4)	48.3
Malaysia	128.2	(61.6)	66.6	133.2	(60.8)	72.4
Total	221.3	(105.6)	115.7	226.9	(106.2)	120.7

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 promptly pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Group.

The Group has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events, e.g. hurricanes, earthquakes and flood damages.

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

Key Assumptions (continued)

The sensitivity analysis below shows the impact of changes in key assumptions on gross and net liabilities, profit before tax and equity.

in Singapore Dollars (millions)	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit before tax	Impact on equity
As at 31 December 2016					
Provision for adverse deviation margin	+20%	2.5	1.8	(1.8)	(1.4)
Loss ratio ⁽¹⁾	+20%	59.2	38.4	(38.4)	(30.3)
Claim handling expenses	+20%	0.6	3.0	(3.0)	(2.3)
As at 31 December 2015					
Provision for adverse deviation margin	+20%	2.9	1.7	(1.7)	(1.3)
Loss ratio ⁽¹⁾	+20%	44.8	32.2	(32.2)	(25.2)
Claim handling expenses	+20%	0.6	0.6	(0.6)	(0.5)

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

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

Insurance Risk (continued)

TABLE 35(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date.

Gross non-life insurance contract liabilities for 2016:

in Singapore Dollars (millions)	2009	2010	2011	2012	2013	2014	2015	2016	Total
<u>Estimate of cumulative claims</u>									
Accident Year	64.9	67.7	110.5	92.3	135.5	125.3	164.4	172.7	
One year later	70.0	83.5	111.1	98.3	128.8	117.2	160.2	–	
Two years later	91.0	82.7	94.9	95.7	115.8	114.2	–	–	
Three years later	89.6	77.9	90.6	93.1	114.2	–	–	–	
Four years later	85.5	74.5	84.7	88.4	–	–	–	–	
Five years later	82.7	73.3	84.0	–	–	–	–	–	
Six years later	82.1	70.8	–	–	–	–	–	–	
Seven years later	80.7	–	–	–	–	–	–	–	
Current estimate of cumulative claims	80.7	70.8	84.0	88.4	114.2	114.2	160.2	172.7	
<u>Cumulative payments</u>									
Accident Year	27.9	26.9	34.9	36.5	37.7	38.2	51.0	77.5	
One year later	49.8	57.5	63.2	63.4	77.6	86.1	103.8	–	
Two years later	73.0	65.6	73.7	74.4	90.0	95.0	–	–	
Three years later	76.5	68.4	76.6	79.6	94.0	–	–	–	
Four years later	79.0	69.8	79.2	82.3	–	–	–	–	
Five years later	79.4	70.2	80.4	–	–	–	–	–	
Six years later	79.6	70.2	–	–	–	–	–	–	
Seven years later	79.9	–	–	–	–	–	–	–	
Cumulative payments	79.9	70.2	80.4	82.3	94.0	95.0	103.8	77.5	
Non-life gross claim liabilities	0.8	0.6	3.6	6.1	20.2	19.2	56.4	95.2	202.1
Reserve for prior years									19.7
Unallocated surplus									(0.5)
General Insurance Fund Contract Liabilities, gross									221.3

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance Risk (continued)

TABLE 35(C2): The table below shows the cumulative claims estimates, including both claims notified and IBNR for each successive accident year, at each balance sheet date, together with cumulative payments to date (continued).

Non-life insurance contract liabilities, net of reinsurance of liabilities, for 2016:

in Singapore Dollars (millions)	2009	2010	2011	2012	2013	2014	2015	2016	Total
Estimate of cumulative claims									
Accident Year	37.4	45.6	71.3	63.3	91.5	79.5	81.9	86.1	
One year later	40.5	58.7	76.3	69.2	73.2	76.2	77.8	–	
Two years later	57.7	58.5	60.1	65.5	70.8	74.7	–	–	
Three years later	56.6	55.6	58.2	64.2	70.1	–	–	–	
Four years later	53.7	53.4	54.0	61.8	–	–	–	–	
Five years later	51.5	52.2	53.7	–	–	–	–	–	
Six years later	51.3	50.8	–	–	–	–	–	–	
Seven years later	50.5	–	–	–	–	–	–	–	
Current estimate of cumulative claims	50.5	50.8	53.7	61.8	70.1	74.7	77.8	86.1	
Cumulative payments									
Accident Year	18.6	21.1	24.6	31.0	29.8	31.2	29.7	37.0	
One year later	31.0	43.0	42.8	48.6	54.2	58.4	54.8	–	
Two years later	46.0	47.6	47.9	55.2	60.5	64.3	–	–	
Three years later	48.5	49.5	49.8	57.5	62.4	–	–	–	
Four years later	49.6	50.2	50.8	58.5	–	–	–	–	
Five years later	49.8	50.5	51.4	–	–	–	–	–	
Six years later	50.0	50.4	–	–	–	–	–	–	
Seven years later	50.1	–	–	–	–	–	–	–	
Cumulative payments	50.1	50.4	51.4	58.5	62.4	64.3	54.8	37.0	
Non-life net claim liabilities	0.4	0.4	2.3	3.3	7.7	10.4	23.0	49.1	96.6
Reserve for prior years									19.7
Unallocated surplus									(0.6)
General Insurance Fund Contract Liabilities, net									115.7

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk

Market risk arises when the market values of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future earnings of the insurance operations as well as shareholders' equity.

The Group is exposed to market risk in the investments of the Shareholders' Fund as well as in the mismatch risk between the assets and liabilities of the Insurance Funds. In the case of the funds managed by Lion Global Investors, investment risks are borne by investors and the Group does not assume any liability in the event of occurrence of loss or write-down in market valuation.

Group ALC and local ALCs actively manage market risks through setting of investment policy and asset allocation, approving portfolio construction and risk measurement methodologies, approving hedging and alternative risk transfer strategies. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risks resulting from changes in interest rates and currency exchange rates; volatility in equity price; as well as other risks like credit and liquidity risks are briefly described as follows:

- (a) **Interest rate risk (including asset liability mismatch).** The Group is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholders' Fund as well as the Insurance Funds and (ii) policy liabilities in the Insurance Funds. Since the Shareholders' Fund has exposure to investments in fixed income instruments but no exposure to insurance policy liabilities, it will incur an economic loss when interest rates rise. Given the long duration of policy liabilities and the uncertainty of the cash flows of the Insurance Funds, it is not possible to hold assets that will perfectly match the policy liabilities. This results in a net interest rate risk or asset liability mismatch risk which is managed and monitored by Group ALC and the local ALCs. The Insurance Funds will incur an economic loss when interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income assets.

Under Singapore regulations governed by the Monetary Authority of Singapore (MAS), the liability cash flows with durations less than 20 years are discounted using zero-coupon spot yield of Singapore Government Securities (SGS) while liability cash flows with duration more than 20 years for Singapore funds are discounted using the Long Term Risk Free Discount Rate ("LTRFDR"). As a result, the Singapore Non Participating funds could have negative earnings impact when the LTRFDR decreases.

In 2009, the Group commenced an exercise to achieve portfolio matching of the assets and liabilities of GEL Non Participating fund's long dated liabilities. These long dated liabilities are discounted using the zero-coupon spot yield of SGS of a matching duration (and not the LTRFDR mentioned above). The long dated liabilities which do not fall within the matching program will still be subject to the LTRFDR requirement.

Under Malaysia regulations governed by Bank Negara Malaysia (BNM), the liability cash flows with durations less than 15 years are discounted using zero-coupon spot yield of Malaysia Government Securities (MGS) with matching duration while the liability cash flows with durations of 15 years or more are discounted using zero-coupon spot yield of MGS with 15 years term to maturity. As a result, the Malaysia non-participating fund could have negative earnings impact when the zero-coupon spot yield of MGS decreases.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(b) **Foreign currency risk.** Hedging through currency forwards and swaps is typically used for the fixed income portfolio. Internal limits on foreign exchange exposure ranging from 15% to 35% are applied to investments in fixed income portfolios at a fund level. Currency risk derived from investments in foreign equities is generally not hedged.

The Group is also exposed to foreign exchange movement on net investment in its foreign subsidiaries. The major item for the Group is in respect of its Malaysia subsidiaries. The Insurance and Shareholders' Funds in Malaysia are predominantly held in Malaysian Ringgit, as prescribed by Bank Negara, Malaysia.

TABLE 35(D): The tables below show the foreign exchange position of the Group's financial and insurance-related 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 2016						
FINANCIAL AND INSURANCE-RELATED ASSETS						
Available-for-sale securities						
Equity securities	2,858.9	3,543.5	469.1	4,212.1	-	11,083.6
Debt securities	13,651.6	12,163.6	9,527.7	591.5	-	35,934.4
Other investments	2,108.4	181.6	1,811.8	1,089.1	-	5,190.9
Securities at fair value through profit or loss						
Equity securities	103.5	1,103.3	250.0	578.0	-	2,034.8
Debt securities	14.0	554.5	238.4	248.6	-	1,055.5
Other investments	1,396.7	45.9	278.3	271.1	-	1,992.0
Financial instruments held-for-trading						
Equity securities	-	7.4	-	-	-	7.4
Debt securities	485.2	598.8	0.1	0.6	-	1,084.7
Derivative financial assets	26.9	-	56.4	1.6	-	84.9
Loans	530.5	1,065.3	13.1	0.1	-	1,609.0
Insurance receivables	1,013.1	1,560.0	8.7	22.7	-	2,604.5
Other debtors and interfund balances	679.9	451.4	99.4	23.9	1,386.3	2,640.9
Cash and cash equivalents	2,120.0	875.2	287.2	244.2	-	3,526.6
	24,988.7	22,150.5	13,040.2	7,283.5	1,386.3	68,849.2

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(b) Foreign currency risk. (continued)

TABLE 35(D): The tables below show the foreign exchange position of the Group's financial and insurance-related assets and liabilities by major currencies (continued):

in Singapore Dollars (millions)	SGD	RM	USD	Others	Not subject to foreign currency risk	Total
As at 31 December 2016						
FINANCIAL AND INSURANCE-RELATED LIABILITIES						
Other creditors and interfund balances	829.6	252.8	98.7	59.1	1,386.3	2,626.5
Insurance payables	942.3	2,710.6	5.1	12.8	-	3,670.8
Derivative financial liabilities	78.7	-	613.4	45.4	-	737.5
Provision for agents' retirement benefits	-	263.3	-	-	-	263.3
Debt issued	399.6	-	-	-	-	399.6
General insurance fund contract liabilities	93.1	128.2	-	-	-	221.3
Life assurance fund contract liabilities	33,384.2	17,783.2	1,313.6	431.4	-	52,912.4
	35,727.5	21,138.1	2,030.8	548.7	1,386.3	60,831.4

As at 31 December 2015

FINANCIAL AND INSURANCE-RELATED ASSETS

Available-for-sale securities						
Equity securities	2,932.9	3,642.1	891.1	3,593.4	-	11,059.5
Debt securities	12,126.3	11,804.2	8,205.4	212.0	-	32,347.9
Other investments	1,591.2	143.4	1,608.6	233.5	-	3,576.7
Securities at fair value through profit or loss						
Equity securities	111.6	1,183.2	227.8	549.8	-	2,072.4
Debt securities	17.9	323.9	199.0	292.4	-	833.2
Other investments	1,304.3	25.0	236.9	247.1	-	1,813.3
Financial instruments held-for-trading						
Equity securities	-	6.5	-	-	-	6.5
Debt securities	338.4	918.5	91.0	0.9	-	1,348.8
Derivative financial assets	30.3	-	7.0	0.8	-	38.1
Loans	662.2	1,129.3	17.0	-	-	1,808.5
Insurance receivables	990.6	1,560.5	3.3	21.6	-	2,576.0
Other debtors and interfund balances	506.0	296.3	239.6	21.8	1,287.0	2,350.7
Cash and cash equivalents	2,266.6	789.6	236.9	198.0	-	3,491.1
	22,878.3	21,822.5	11,963.6	5,371.3	1,287.0	63,322.7

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(b) Foreign currency risk. (continued)

TABLE 35(D): The tables below show the foreign exchange position of the Group's financial and insurance-related 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 2015</u>						
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED LIABILITIES</u>						
Other creditors and interfund balances	666.2	311.7	198.0	67.6	1,287.0	2,530.5
Insurance payables	863.0	2,512.1	3.8	12.7	–	3,391.6
Derivative financial liabilities	108.8	1.9	401.7	9.0	–	521.4
Provision for agents' retirement benefits	–	250.6	–	–	–	250.6
Debt issued	399.5	–	–	–	–	399.5
General insurance fund contract liabilities	93.6	133.3	–	–	–	226.9
Life assurance fund contract liabilities	29,685.6	16,385.3	1,035.5	407.5	–	47,513.9
	<u>31,816.7</u>	<u>19,594.9</u>	<u>1,639.0</u>	<u>496.8</u>	<u>1,287.0</u>	<u>54,834.4</u>

The Group has no significant concentration of foreign currency risk.

- (c) **Equity price risk.** Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Group, through investments in both Shareholders' Fund and Insurance Funds, bears all or most of the volatility in returns and investment performance risk. Equity price risk also exists in investment-linked products where the revenues of the insurance operations are linked to the value of the underlying equity funds since this has an impact on the level of fees earned. Limits are set for single security holdings as a percentage of equity holdings.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

- (d) **Credit spread risk.** Exposure to credit spread risk exists in the Group's investments in bonds. Credit spread is the difference between the quoted rates of return of two different investments of different credit quality. When spreads widen between bonds with different quality ratings, it implies that the market is factoring more risk of default on lower grade bonds. A widening in credit spreads will result in a fall in the values of the Group's bond portfolio.
- (e) **Alternative investment risk.** The Group is exposed to alternative investment risk through investments in direct real estate that it owns in Singapore and Malaysia and through real estate, private equity, infrastructure and hedge funds for exposures in other countries. A monitoring process is in place to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by 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

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

Market and Credit Risk (continued)

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

Maturity Profile

TABLE 35(E1): The following tables show the expected recovery or settlement of financial and insurance-related assets and maturity profile of the Group's financial and insurance contract 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 2016						
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED ASSETS</u>						
Available-for-sale securities						
Equity securities	11,083.6	–	–	–	11,083.6	11,083.6
Debt securities	35,934.4	2,421.3	12,087.4	38,963.4	–	53,472.1
Other investments	5,190.9	–	–	–	5,190.9	5,190.9
Securities at fair value through profit or loss						
Equity securities	2,034.8	–	–	–	2,034.8	2,034.8
Debt securities	1,055.5	164.6	444.2	909.3	–	1,518.1
Other investments	1,992.0	–	–	–	1,992.0	1,992.0
Financial instruments held-for-trading						
Equity securities	7.4	0.1	7.2	0.1	–	7.4
Debt securities	1,084.7	48.5	476.3	880.6	–	1,405.4
Loans	1,609.0	428.9	1,084.5	306.7	–	1,820.1
Insurance receivables	2,604.5	344.5	(3.3)	–	2,263.3	2,604.5
Other debtors and interfund balances	2,640.9	2,545.8	2.7	61.4	31.0	2,640.9
Cash and cash equivalents	3,526.6	3,526.6	–	–	–	3,526.6
	68,764.3	9,480.3	14,099.0	41,121.5	22,595.6	87,296.4
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED LIABILITIES</u>						
Other creditors and interfund balances	2,626.5	2,520.6	50.2	1.1	54.6	2,626.5
Insurance payables	3,670.8	3,147.0	511.9	4.6	7.3	3,670.8
Provision for agents' retirement benefits	263.3	78.7	58.5	126.1	–	263.3
Debt issued	399.6	18.4	73.6	390.8	–	482.8
General insurance fund						
contract liabilities	221.3	189.6	6.7	(0.1)	25.1	221.3
Life assurance fund contract liabilities	52,912.4	7,279.9	6,447.0	39,185.5	–	52,912.4
	60,093.9	13,234.2	7,147.9	39,708.0	87.0	60,177.1

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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

Maturity Profile (continued)

TABLE 35(E1): The following tables show the expected recovery or settlement of financial and insurance-related assets and maturity profile of the Group's financial and insurance contract 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 2015</u>						
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED ASSETS</u>						
Available-for-sale securities						
Equity securities	11,059.5	–	–	–	11,059.5	11,059.5
Debt securities	32,347.9	1,950.5	11,747.1	33,180.3	–	46,877.9
Other investments	3,576.7	–	–	–	3,576.7	3,576.7
Securities at fair value through profit or loss						
Equity securities	2,072.4	–	–	–	2,072.4	2,072.4
Debt securities	833.2	144.0	351.1	658.2	–	1,153.3
Other investments	1,813.3	–	–	–	1,813.3	1,813.3
Financial instruments held-for-trading						
Equity securities	6.5	–	5.8	0.7	–	6.5
Debt securities	1,348.8	156.1	1,179.0	329.4	–	1,664.5
Loans	1,808.5	292.3	1,512.1	230.4	–	2,034.8
Insurance receivables	2,576.0	343.4	(4.8)	1.1	2,236.3	2,576.0
Other debtors and interfund balances	2,350.7	2,287.2	6.9	24.3	32.3	2,350.7
Cash and cash equivalents	3,491.1	3,491.1	–	–	–	3,491.1
	63,284.6	8,664.6	14,797.2	34,424.4	20,790.5	78,676.7
<u>FINANCIAL AND</u>						
<u>INSURANCE-RELATED LIABILITIES</u>						
Other creditors and interfund balances	2,530.5	2,456.7	6.9	1.5	65.4	2,530.5
Insurance payables	3,391.6	2,933.7	443.0	4.6	10.3	3,391.6
Provision for agents' retirement benefits	250.6	70.3	53.9	126.4	–	250.6
Debt issued	399.5	18.4	73.6	409.2	–	501.2
General insurance fund						
contract liabilities	226.9	195.6	(2.4)	1.7	32.0	226.9
Life assurance fund contract liabilities	47,513.9	6,485.1	5,360.7	35,668.1	–	47,513.9
	54,313.0	12,159.8	5,935.7	36,211.5	107.7	54,414.7

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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

TABLE 35(E2): The following tables show the current/non-current classification of assets and liabilities:

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
As at 31 December 2016				
ASSETS				
Cash and cash equivalents	3,218.6	–	308.0	3,526.6
Other debtors and interfund balances	2,591.9	49.1	50.0	2,691.0
Insurance receivables	344.6	2,259.9	–	2,604.5
Loans	420.1	1,188.9	–	1,609.0
Derivative financial assets	31.3	47.1	6.5	84.9
Investments	8,147.6	45,346.5	4,889.2	58,383.3
Associates	–	47.4	–	47.4
Intangible assets	–	32.0	–	32.0
Property, plant and equipment	–	605.4	–	605.4
Investment properties	–	1,539.0	–	1,539.0
	14,754.1	51,115.3	5,253.7	71,123.1
LIABILITIES				
Insurance payables	3,143.8	516.3	10.7	3,670.8
Other creditors and interfund balances	2,480.8	106.9	66.1	2,653.8
Unexpired risk reserve	124.9	–	–	124.9
Derivative financial liabilities	293.4	434.2	9.9	737.5
Income tax	441.0	–	5.4	446.4
Provision for agents' retirement benefits	78.7	184.6	–	263.3
Deferred tax	–	1,053.0	5.3	1,058.3
Debt issued	–	399.6	–	399.6
General insurance fund	189.6	33.6	–	223.2
Life assurance fund	1,999.4	47,568.1	5,313.6	54,881.1
	8,751.6	50,296.3	5,411.0	64,458.9

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

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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

TABLE 35(E2): The following tables show the current/non-current classification of assets and liabilities (continued):

in Singapore Dollars (millions)	Current*	Non-Current	Unit-linked	Total
<u>As at 31 December 2015</u>				
<u>ASSETS</u>				
Cash and cash equivalents	3,154.7	–	336.4	3,491.1
Other debtors and interfund balances	2,412.0	84.1	89.5	2,585.6
Insurance receivables	343.4	2,232.6	–	2,576.0
Loans	134.8	1,673.7	–	1,808.5
Derivative financial assets	27.1	8.2	2.8	38.1
Investments	6,496.9	41,991.1	4,570.3	53,058.3
Associates	–	52.8	–	52.8
Intangible assets	–	32.1	–	32.1
Property, plant and equipment	–	610.1	–	610.1
Investment properties	–	1,568.1	–	1,568.1
	<u>12,568.9</u>	<u>48,252.8</u>	<u>4,999.0</u>	<u>65,820.7</u>
<u>LIABILITIES</u>				
Insurance payables	2,936.9	447.5	7.2	3,391.6
Other creditors and interfund balances	2,379.4	75.9	107.0	2,562.3
Unexpired risk reserve	126.6	–	–	126.6
Derivative financial liabilities	126.3	389.6	5.5	521.4
Income tax	491.6	–	5.5	497.1
Provision for agents' retirement benefits	70.3	180.3	–	250.6
Deferred tax	–	1,061.3	7.0	1,068.3
Debt issued	–	399.5	–	399.5
General insurance fund	195.6	32.6	–	228.2
Life assurance fund	1,518.0	43,971.2	4,988.9	50,478.1
	<u>7,844.7</u>	<u>46,557.9</u>	<u>5,121.1</u>	<u>59,523.7</u>

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

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

- (h) **Credit risk.** Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Group is mainly exposed to credit risk through (i) investments in cash and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivative transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of a credit default by the borrower or counterparty. For investments in bonds, financial loss may also materialise as a result of the widening of credit spreads or a downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the local ALCs. Group wide credit risk is managed by Group ALC. The Group has internal limits by issuer or counterparty and by investment grades. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

Credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

The Group issues unit-linked investment policies. In the unit-linked business, the policyholder bears the investment risk on the assets held in the unit-linked funds as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit-linked financial assets.

The loans in the Group's portfolio are generally secured by collateral, with a maximum loan to value ratio of 70% predominantly. The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of the types of collateral and the valuation parameters. Management monitors the market value of the collateral, requests additional collateral when needed and performs an impairment valuation when applicable. The fair value of collateral, held by the Group as lender, for which it is entitled to sell or pledge in the event of default is as follows:

in Singapore Dollars (millions)	Type of Collateral	Carrying Amount	Fair Value of Collateral
As at 31 December 2016			
Secured loans	Properties	1,113.9	2,548.5
	Others	434.6	21.3
Policy loans	Cash value of policies	2,186.3	4,508.0
Derivatives	Cash	–	–
		3,734.8	7,077.8
As at 31 December 2015			
Secured loans	Properties	1,171.6	2,674.4
	Others	546.8	25.7
Policy loans	Cash value of policies	2,162.4	4,455.8
Derivatives	Cash	1.6	0.8
		3,882.4	7,156.7

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(h) Credit risk. (continued)

There were no investments lent and collateral received under securities lending arrangements as at 31 December 2016 (31 December 2015: nil).

As at the balance sheet date, no investments (2015: 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		Not Rated	Unit- linked	Not subject to credit risk	Past due**	Total
	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)					
As at 31 December 2016							
Available-for-sale securities							
Equity securities	-	-	-	-	11,083.6	-	11,083.6
Debt securities	26,979.6	176.1	8,778.7	-	-	-	35,934.4
Other investments	-	-	-	-	5,190.9	-	5,190.9
Securities at fair value through profit or loss							
Equity securities	-	-	-	1,877.4	157.4	-	2,034.8
Debt securities	14.2	16.5	8.9	1,015.9	-	-	1,055.5
Other investments	-	-	-	1,984.8	7.2	-	1,992.0
Financial instruments held-for-trading							
Equity securities	-	-	-	0.6	6.8	-	7.4
Debt securities	589.6	-	484.7	10.4	-	-	1,084.7
Derivative financial assets	77.3	-	1.1	6.5	-	-	84.9
Loans	419.6	-	1,180.3	-	-	9.1	1,609.0
Insurance receivables	82.1	-	2,492.7	-	-	29.7	2,604.5
Other debtors and interfund balances	-	-	2,589.9	50.0	-	1.0	2,640.9
Cash and cash equivalents	3,082.5	17.6	118.5	308.0	-	-	3,526.6
	31,244.9	210.2	15,654.8	5,253.6	16,445.9	39.8	68,849.2

* Based on public ratings assigned by external rating agencies including S&P, Moody's, RAM and MARC.

** An aging analysis for financial assets past due is provided below.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(h) Credit risk. (continued)

in Singapore Dollars (millions)	Neither past-due nor impaired			Unit-linked	Not subject to credit risk	Past due**	Total
	Investment Grade* (BBB to AAA)	Non Investment Grade* (C to BB)	Not Rated				
As at 31 December 2015							
Available-for-sale securities							
Equity securities	-	-	-	-	11,059.5	-	11,059.5
Debt securities	27,854.7	199.7	4,293.5	-	-	-	32,347.9
Other investments	-	-	-	-	3,576.7	-	3,576.7
Securities at fair value through profit or loss							
Equity securities	-	-	-	1,937.4	135.0	-	2,072.4
Debt securities	2.6	12.8	7.1	810.7	-	-	833.2
Other investments	-	-	-	1,805.3	8.0	-	1,813.3
Financial instruments held-for-trading							
Equity securities	-	-	-	2.6	3.9	-	6.5
Debt securities	906.3	-	428.2	14.3	-	-	1,348.8
Derivative financial assets	33.9	-	1.4	2.8	-	-	38.1
Loans	527.7	-	1,263.8	-	-	17.0	1,808.5
Insurance receivables	95.1	-	2,453.2	-	-	27.7	2,576.0
Other debtors and interfund balances	-	-	2,261.6	89.0	-	0.1	2,350.7
Cash and cash equivalents	3,030.3	20.4	104.0	336.4	-	-	3,491.1
	32,450.6	232.9	10,812.8	4,998.5	14,783.1	44.8	63,322.7

* 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

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

Market and Credit Risk (continued)

(h) Credit risk. (continued)

Aging analysis of financial assets past due:

in Singapore Dollars (millions)	Past due but not impaired			Total	Past due and impaired	Total
	< 6 months	6 months to 12 months	> 12 months			
As at 31 December 2016						
Loans	–	–	9.1	9.1	4.0	13.1
Insurance receivables	20.0	7.4	2.3	29.7	6.1	35.8
Other debtors and interfund balances	0.6	–	0.4	1.0	3.7	4.7
	20.6	7.4	11.8	39.8	13.8	53.6
As at 31 December 2015						
Loans	17.0	–	–	17.0	–	17.0
Insurance receivables	21.4	4.5	1.8	27.7	7.0	34.7
Other debtors and interfund balances	0.1	–	–	0.1	–	0.1
	38.5	4.5	1.8	44.8	7.0	51.8

For assets to be classified as “past due and impaired”, contractual payments must be in arrears for more than 90 days. These receivables are not secured by any collateral or credit enhancements.

- (i) **Concentration risk.** An important element of managing both market and credit risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. The Group’s exposures are within the concentration limits set by the respective local regulators.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

- (j) **Sensitivity analysis on financial risks.** The analysis below is performed for reasonably possible movements in key variables with all other variables constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the Profit and Loss Statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after tax and the effect on changes in fair value of financial assets held in Shareholders’ Funds.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

(j) Sensitivity analysis on financial risks. (continued)

Market risk sensitivity analysis:

in Singapore Dollars (millions)	Impact on Profit After Tax		Impact on Equity	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Change in variables:				
(a) Interest Rate				
+ 100 basis points	(93.2)	(34.4)	(198.2)	(134.9)
- 100 basis points	23.1	(9.1)	139.4	98.9
(b) LTRFDR⁽¹⁾				
+ 10 basis points	17.6	15.2	17.6	15.2
- 10 basis points	(18.9)	(16.1)	(18.9)	(16.1)
(c) Foreign Currency				
5% increase in market value of foreign currency denominated assets	24.3	4.8	90.8	57.4
5% decrease in market value of foreign currency denominated assets	(24.3)	(4.8)	(90.8)	(57.4)
(d) Equity				
20% increase in market indices:				
- STI	17.5	17.6	99.8	96.9
- KLCI	0.5	0.3	12.3	10.7
20% decrease in market indices:				
- STI	(17.5)	(17.6)	(99.8)	(96.9)
- KLCI	(0.5)	(0.3)	(12.3)	(10.7)
(e) Credit				
Spread + 100 basis points	(277.6)	(214.4)	(341.9)	(280.6)
Spread - 100 basis points	328.2	251.1	397.4	322.1
(f) Alternative Investments⁽²⁾				
10% increase in market value of all alternative investments	21.4	20.1	43.9	41.0
10% decrease in market value of all alternative investments	(21.4)	(20.1)	(43.9)	(41.0)

⁽¹⁾ LTRFDR refers to Long Term Risk Free Discount Rate formulated under the Singapore regulations governed by the Monetary Authority of Singapore.

⁽²⁾ Alternative Investments comprise investments in real estate, private equity, infrastructure and hedge funds.

The method for deriving sensitivity information and significant variables did not change from the previous year.

NOTES TO THE FINANCIAL STATEMENTS

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

Market and Credit Risk (continued)

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.

36 FAIR VALUE OF ASSETS AND LIABILITIES

36.1 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

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.2 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:

	Group			Total
	2016			
	Fair value measurements at the end of the reporting period using			
in Singapore Dollars (millions)	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 2016				
Recurring Fair Value Measurements				
FINANCIAL ASSETS				
Derivative financial assets				
Foreign exchange				
Forwards	–	33.7	–	33.7
Currency swaps	–	5.3	–	5.3
Interest rates				
Swaps	–	43.8	–	43.8
Exchange traded futures	2.1	–	–	2.1
	2.1	82.8	–	84.9
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	10,415.3	–	–	10,415.3
Unquoted equity securities	–	–	441.7	441.7
Debt securities				
Quoted debt securities	21,977.2	2,307.2	–	24,284.4
Unquoted debt securities	–	11,650.0	–	11,650.0
Other investments				
Collective investment schemes	3,744.2	716.1	730.6	5,190.9
	36,136.7	14,673.3	1,172.3	51,982.3
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	2,033.0	–	–	2,033.0
Unquoted equity securities	–	1.8	–	1.8
Debt securities				
Quoted debt securities	434.6	84.2	–	518.8
Unquoted debt securities	–	536.7	–	536.7
Other investments				
Collective investment schemes	1,790.0	202.0	–	1,992.0
	4,257.6	824.7	–	5,082.3

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.2 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 2016			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)	
Financial assets held-for-trading				
Equity securities				
Quoted equity securities	7.4	–	–	7.4
Debt securities				
Quoted debt securities	477.1	8.1	–	485.2
Unquoted debt securities	–	599.5	–	599.5
	484.5	607.6	–	1,092.1
Financial assets as at 31 December 2016	40,880.9	16,188.4	1,172.3	58,241.6
NON-FINANCIAL ASSETS				
Investment properties	–	–	1,539.0	1,539.0
Non-financial assets as at 31 December 2016	–	–	1,539.0	1,539.0
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	–	227.6	–	227.6
Currency swaps	–	471.8	–	471.8
Interest rates				
Swaps	–	37.8	–	37.8
Exchange traded futures	0.3	–	–	0.3
Financial liabilities as at 31 December 2016	0.3	737.2	–	737.5

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.2 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
	2015			
	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 2015</u>				
<u>Recurring Fair Value Measurements</u>				
<u>FINANCIAL ASSETS</u>				
Derivative financial assets				
Foreign exchange				
Forwards	–	10.5	–	10.5
Currency swaps	–	23.1	–	23.1
Interest rates				
Swaps	–	2.9	–	2.9
Exchange traded futures	1.6	–	–	1.6
	1.6	36.5	–	38.1
Available-for-sale financial assets				
Equity securities				
Quoted equity securities	10,321.8	–	–	10,321.8
Unquoted equity securities	–	–	474.9	474.9
Debt securities				
Quoted debt securities	18,595.9	2,157.2	–	20,753.1
Unquoted debt securities	–	11,594.8	–	11,594.8
Other investments				
Collective investment schemes	2,161.0	684.1	731.6	3,576.7
	31,078.7	14,436.1	1,206.5	46,721.3
Financial assets designated at fair value through profit or loss				
Equity securities				
Quoted equity securities	2,070.3	–	–	2,070.3
Unquoted equity securities	–	2.1	–	2.1
Debt securities				
Quoted debt securities	424.0	6.8	–	430.8
Unquoted debt securities	–	402.4	–	402.4
Other investments				
Collective investment schemes	1,605.0	208.3	–	1,813.3
	4,099.3	619.6	–	4,718.9

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.2 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):

	Group			Total
	2015			
	Fair value measurements at the end of the reporting period using			
in Singapore Dollars (millions)	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	
Financial assets held-for-trading				
Equity securities				
Quoted equity securities	6.5	–	–	6.5
Unquoted equity securities	–	–	–	–
Debt securities				
Quoted debt securities	425.2	4.2	–	429.4
Unquoted debt securities	–	919.4	–	919.4
	431.7	923.6	–	1,355.3
Financial assets as at 31 December 2015	35,611.3	16,015.8	1,206.5	52,833.6
NON-FINANCIAL ASSETS				
Investment properties	–	–	1,568.1	1,568.1
Non-financial assets as at 31 December 2015	–	–	1,568.1	1,568.1
FINANCIAL LIABILITIES				
Derivative financial liabilities				
Foreign exchange				
Forwards	–	39.4	–	39.4
Currency swaps	–	467.4	–	467.4
Interest rates				
Swaps	–	14.5	–	14.5
Exchange traded futures	0.1	–	–	0.1
Financial liabilities as at 31 December 2015	0.1	521.3	–	521.4

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.3 Level 3 Fair Value Measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2016	Valuation techniques	Unobservable inputs	Range (weighted average)
Investment properties	1,539.0	Income approach	Rental psf per month Rental growth rate Long-term vacancy rate Discount rate	\$1.02 to \$1.77 12.50% 5.00% 6.00% to 6.50%
		Comparison approach	Estimated psf	\$15 to \$3,100
Available-for-sale financial assets				
Unquoted equities	441.7	Net asset value ⁽¹⁾	not applicable	not applicable
Collective Investment Schemes	730.6	Net asset value ⁽¹⁾	not applicable	not applicable

Description	Fair value as at 31 December 2015	Valuation techniques	Unobservable inputs	Range (weighted average)
Investment properties	1,568.1	Income approach	Rental psf per month Rental growth rate Long-term vacancy rate Discount rate	\$1.04 to \$1.81 12.50% 5.00% 3.75% to 6.50%
		Comparison approach	Estimated psf	\$15 to \$3,520
Available-for-sale financial assets				
Unquoted equities	474.9	Net asset value ⁽¹⁾	not applicable	not applicable
Collective Investment Schemes	731.6	Net asset value ⁽¹⁾	not applicable	not applicable

(1) These investments are valued using net asset value. The net asset value of these investments as at the reporting date is an unobservable input as it is not published. Accordingly, these investments are classified as Level 3 investments within the fair value hierarchy. Changing unobservable inputs to reasonably possible alternative assumptions would not have a significant impact on profit for the year or total equity.

For investment properties, a significant increase/(decrease) in unobservable inputs would result in a significantly higher/(lower) fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.3 Level 3 Fair Value Measurements (continued)

(ii) Movements in Level 3 assets and liabilities measured at fair value:

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

in Singapore Dollars (millions)	Group			
	Fair value measurements using significant unobservable inputs (Level 3)			
	2016			
	Available-for-sale financial assets			Total
Unquoted equities	Collective Investment Schemes	Investment Properties		
Opening balance	474.9	731.6	1,568.1	2,774.6
Total gain/(loss) for the year:				
Included in profit and loss statement				
– (Gain)/loss on sale of investments and changes in fair value	(44.2)	31.4	(16.4)	(29.2)
– Increase in provision for impairment of assets	(1.2)	(3.2)	–	(4.4)
Included in other comprehensive income				
– Changes in fair value	28.1	(14.7)	–	13.4
Purchases and sales for the period:				
Purchases	36.6	31.2	–	67.8
Sales	(52.5)	(45.7)	(8.5)	(106.7)
Currency translation reserve adjustment	–	–	(4.2)	(4.2)
Closing balance	441.7	730.6	1,539.0	2,711.3

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.3 Level 3 Fair Value Measurements (continued)

(ii) Movements in Level 3 assets and liabilities measured at fair value (continued):

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3) (continued):

in Singapore Dollars (millions)	Group			
	Fair value measurements using significant unobservable inputs (Level 3)			
	2015			
	Available-for-sale financial assets			
	Unquoted equities	Collective Investment Schemes	Investment Properties	Total
Opening balance	480.2	667.8	1,632.0	2,780.0
Total gain/(loss) for the year:				
Included in profit and loss statement				
– (Gain)/loss on sale of investments and changes in fair value	(68.6)	8.5	(37.6)	(97.7)
– Increase in provision for impairment of assets	(0.8)	(0.1)	–	(0.9)
Included in other comprehensive income				
– Changes in fair value	67.2	54.1	–	121.3
Purchases and sales for the period:				
Purchases	59.8	32.7	0.2	92.7
Sales	(62.9)	(31.4)	–	(94.3)
Currency translation reserve adjustment	–	–	(26.5)	(26.5)
Closing balance	474.9	731.6	1,568.1	2,774.6

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.4 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:

Group					
31 December 2016					
Fair value measurements at the end of the reporting period using					
in Singapore Dollars (millions)	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying Amount
Assets					
Loans	–	1,618.5	–	1,618.5	1,609.0
Freehold land, leasehold land and buildings	–	–	767.0	767.0	453.1

Group					
31 December 2015					
Fair value measurements at the end of the reporting period using					
in Singapore Dollars (millions)	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying Amount
Assets					
Loans	–	1,818.1	–	1,818.1	1,808.5
Freehold land, leasehold land and buildings	–	–	772.3	772.3	466.9

NOTES TO THE FINANCIAL STATEMENTS

36 FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

36.5 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 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			
	31 December 2016		31 December 2015	
	Carrying amount	Fair Value	Carrying amount	Fair Value
Financial assets				
Available-for-sale financial assets				
Unquoted equity securities	226.6	#	262.8	#
Financial liabilities				
Debt issued	399.6	425.9	399.5	422.0

Unquoted equity securities

It is not practicable to determine the fair values of the above unquoted equity investments because of the lack of 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

37 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:

in Singapore Dollars (millions)	31 December 2016		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Financial assets			
Insurance receivables	118.1	(45.0)	73.1
Total	118.1	(45.0)	73.1
Financial liabilities			
Insurance payables	249.2	(112.7)	136.5
Total	249.2	(112.7)	136.5
in Singapore Dollars (millions)	31 December 2015		
	Gross carrying amount	Gross amounts offset in the balance sheet	Net amounts in the balance sheet
Financial assets			
Insurance receivables	122.0	(61.4)	60.6
Other debtors	1.0	(0.4)	0.6
Total	123.0	(61.8)	61.2
Financial liabilities			
Insurance payables	208.3	(101.6)	106.7
Total	208.3	(101.6)	106.7

NOTES TO THE FINANCIAL STATEMENTS

38 DIVIDENDS

in Singapore Dollars (millions)	Group and Company	
	2016	2015
Final one-tier tax exempt dividend for the previous year of 40 cents per ordinary share (2015: 40 cents per ordinary share)	189.3	189.3
Special one-tier tax exempt dividend for the previous year of 5 cents per ordinary share (2015: 5 cents per ordinary share)	23.7	23.7
Interim one-tier tax exempt dividend of 10 cents per ordinary share (2015: 10 cents per ordinary share)	47.3	47.3
	260.3	260.3

The Directors proposed a final one-tier tax exempt dividend of 40 cents per ordinary share amounting to \$189.3 million (2015: \$213.0 million) be paid in respect of the financial year ended 31 December 2016. 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.

39 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 10 February 2017, the Board authorised these financial statements for issue and that two Directors of the Board, Mr Koh Beng Seng and Mr Kyle Lee Khai Fatt, sign the Directors' Report on behalf of the Board.

LIST OF MAJOR PROPERTIES

Location	Tenure	Site Area (sq m)	Gross Floor Area (sq m)	Purpose
SINGAPORE PROPERTIES – 100% HELD BY THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED:				
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

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) \$ million	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$ million
OCBC Group of Companies		
- e2Power Pte. Ltd. – Data centre facilities, technical infrastructure services, database administration, network facilities and infrastructure support	0.3525	NA
- e2Power Sdn Bhd – Data centre facilities, technical infrastructure services and network facilities	2.0011	NA
- LGlobal Funds – Subscriptions of shares in Asian Bond and Asia High Dividend Equity Bond	33.6	NA
- OCBC AI-Amin Bank Berhad – Payment of commission and management fee	0.2557	NA
- OCBC Bank (Malaysia) Berhad – Payment of commission and management fee	1.3049	NA
- OCBC Property Services Private Limited – Property management contract	1.9844	NA
- OCBC Square Private Limited – Lease of premises at OCBC Centre	1.2713	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 2016, save as disclosed above, in the Directors' Statement and in the financial statements for FY2016.

SHAREHOLDING STATISTICS

AS AT 28 FEBRUARY 2017

Total Number of Issued Shares : 473,319,069 shares
 Class of Shares : Ordinary shares
 Voting Rights : The Constitution provides 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	43	2.28	935	0.00
100 – 1,000	862	45.75	659,873	0.14
1,001 – 10,000	713	37.85	2,705,880	0.57
10,001 – 1,000,000	254	13.48	18,337,792	3.87
1,000,001 and above	12	0.64	451,614,589	95.42
Total	1,884	100.00	473,319,069	100.00

TWENTY LARGEST SHAREHOLDERS

	No. of Shares	%
1 Oversea-Chinese Bank Nominees Private Limited	415,340,559	87.75
2 HSBC (Singapore) Nominees Pte Ltd	10,480,075	2.21
3 DBS Nominees (Private) Limited	7,060,223	1.49
4 Citibank Nominees Singapore Pte Ltd	4,526,516	0.96
5 Wong Hong Sun	3,198,000	0.68
6 Kuchai Development Berhad	3,032,000	0.64
7 Wong Hong Yen	2,956,668	0.62
8 Sungei Bagan Rubber Company (Malaya) Berhad	1,733,120	0.37
9 Shaw Vee Meng	1,208,000	0.26
10 United Overseas Bank Nominees (Private) Limited	1,042,628	0.22
11 Shaw Vee Foong	1,036,800	0.22
12 Yeo Kok Seng	806,800	0.17
13 Lee Hak Heng	728,150	0.15
14 Yeap Holdings (Pte.) Limited	487,238	0.10
15 The Estate of Alan Loke (Deceased)	455,094	0.10
16 Raffles Nominees (Pte.) Limited	452,444	0.10
17 The Bank of East Asia (Nominees) Private Limited	437,000	0.09
18 Mrs Svasti Nellie nee Wong Nellie or Svasti Daniel Y K P	415,880	0.09
19 Eng Siu-Lan Sibyl	406,386	0.09
20 Eng Hsi Ko Peter	406,385	0.09
Total	456,209,966	96.4

SHAREHOLDING STATISTICS

AS AT 28 FEBRUARY 2017

SUBSTANTIAL SHAREHOLDER

	Direct Interest No. of Shares	Deemed Interest No. of Shares	Total No. of Shares	%
Oversea-Chinese Banking Corporation Limited	415,325,559 ⁽¹⁾	–	415,325,559	87.75

Note:

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

Based on information available to the Company as at 28 February 2017, 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 Ltd*	Director
7. United Engineers Limited*	Director
8. Octagon Advisors Pte. Ltd.	Chief Executive Officer

Directorships (and Appointments) for the past 3 years

1. Sing-Han International Financial Services Limited	Director
--	----------

Academic and Professional Qualifications

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

GEH Board Committee Appointments

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

Date of First Appointment as a Director of GEH

Director since 2 January 2008
Chairman since 1 September 2014

Date of Last Re-appointment as a Director of GEH

Director since 19 April 2016

Length of Service as a Director of GEH

9 years 2 months

Independent Status

Non-executive and non-independent director

NORMAN IP

Current Directorships (and Appointments)

1. Far Island Bay Sdn Bhd	Chairman
2. Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3. Great Eastern Life Assurance (Malaysia) Bhd	Chairman
4. I Great Capital Holdings Sdn Bhd	Chairman
5. Overseas Assurance Corporation (Holdings) Bhd	Chairman
6. Overseas Assurance Corporation (Malaysia) Bhd	Chairman
7. WBL Corporation Limited	Chairman
8. AIMS AMP Capital Industrial REIT Management Limited*	Director
9. Great Eastern Takaful Bhd	Director
10. Lion Global Investors Limited	Director
11. The Great Eastern Life Assurance Company Limited	Director
12. The Overseas Assurance Corporation Limited	Director
13. United Engineers Limited*	Group Managing Director
14. Building and Construction Authority	Member/Deputy Chairman
15. Securities Industry Council	Member

Directorships (and Appointments) for the past 3 years

1. Malaysia Smelting Corporation Berhad	Chairman
2. UE E&C Limited	Director

Academic and Professional Qualifications

Bachelor of Science (Economics), 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

GEH Board Committee Appointments

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

Date of First Appointment as a Director of GEH

Director since 5 March 2010

Date of Last Re-appointment as a Director of GEH

15 April 2015

Length of Service as a Director of GEH

7 years

Independent Status

Independent director

* Listed company

FURTHER INFORMATION ON DIRECTORS

LAW SONG KENG

Current Directorships (and Appointments)

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

Directorships (and Appointments) for the past 3 years

1. ECICS Limited	Director
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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

GEH Board Committee Appointments

Member, Audit Committee

Member, Executive Committee

Member, Risk Management Committee

Date of First Appointment as a Director of GEH

Director since 1 January 2013

Date of Last Re-appointment as a Director of GEH

19 April 2016

Length of Service as a Director of GEH

4 years 2 months

Independent Status

Independent director

KYLE LEE KHAI FATT

Current Directorships (and Appointments)

1. CapitaLand Mall Trust Management Limited	Director
2. FEO Hospitality Asset Management Pte. Ltd.	Director
3. FEO Hospitality Trust Management Pte. Ltd.	Director
4. The Great Eastern Life Assurance Company Limited	Director

Directorships (and Appointments) for the past 3 years

1. MFS Technology Ltd*	Chairman
2. Jurong International Holdings Pte. Ltd.	Director
3. WBL Corporation Limited	Director
4. National Art Gallery, Audit Committee	Member

Academic and Professional Qualifications

Bachelor of Arts (Honours) in Business Studies, Council of
National Academic Awards, Polytechnic of the South Bank
London

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

Fellow of the Institute of Chartered Accountants in England
and Wales

Fellow of the Institute of Singapore Chartered Accountants

GEH Board Committee Appointments

Chairman, Audit Committee

Member, Nominating Committee

Date of First Appointment as a Director of GEH

Director since 1 July 2014

Date of Last Re-appointment as a Director of GEH

15 April 2015

Length of Service as a Director of GEH

2 years 8 months

Independent Status

Independent director

* Listed company

FURTHER INFORMATION ON DIRECTORS

SOON TIT KOON

Current Directorships (and Appointments)

1. OCBC Wing Hang Bank Limited	Director
2. SPH REIT Management Pte Ltd	Director
3. Wah Hin & Company Private Limited	Director

Directorships (and Appointments) for the past 3 years

1. AVIC Trust Co., Ltd	Director
2. Bank of Ningbo Co., Ltd.	Director
3. WBL Corporation Limited	Director

Academic and Professional Qualifications

Bachelor of Science (Honours) in Applied Chemistry, University of Singapore

Master of Business Administration, University of Chicago, USA
Advanced Management Program, Harvard Business School

GEH Board Committee Appointment

Member, Risk Management Committee

Date of First Appointment as a Director of GEH

Director since 1 January 2016

Date of Last Re-appointment as a Director of GEH

19 April 2016

Length of Service as a Director of GEH

1 year 2 months

Independent Status

Independent director

TAN YAM PIN

Current Directorships (and Appointments)

1. Great Eastern Life Assurance (Malaysia) Bhd	Director
2. Keppel Land Limited*	Director
3. Lee Kuan Yew Scholarship Fund	Director
4. Overseas Assurance Corporation (Malaysia) Bhd	Director
5. Singapore Public Service Commission	Member / Deputy Chairman

Directorships (and Appointments) for the past 3 years

1. General Storage Company Pte. Ltd.	Director
2. Singapore Post Limited	Director
3. Leighton Contractors (Asia) Limited (fka Leighton Asia Limited (Hong Kong))	Advisory Board Member

Academic and Professional Qualifications

Bachelor of Arts (Honours), University of Singapore
Master of Business Administration, University of British Columbia, Canada

Fellow of the Canadian Institute of Chartered Accountants, Canada

GEH Board Committee Appointment

Member, Audit Committee

Date of First Appointment as a Director of GEH

Director since 7 January 2005

Date of Last Re-appointment as a Director of GEH

19 April 2016

Length of Service as a Director of GEH

12 years 2 months

Independent Status

Non-executive and non-independent director

* Listed company

FURTHER INFORMATION ON DIRECTORS

THEAN NAM YEW

Current Directorships (and Appointments)

–

Directorships (and Appointments) for the past 3 years

–

Academic and Professional Qualifications

Bachelor of Electrical and Electronic Engineering (First Class Honours), University of Melbourne, Australia
Advanced Business Management Programme, Kellogg Graduate School of Management, Northwestern University, Illinois, USA

GEH Board Committee Appointment

Member, Audit Committee

Date of First Appointment as a Director of GEH

Director since 5 January 2017

Length of Service as a Director of GEH

2 months

Independent Status

Independent director

SAMUEL N. TSIEN

Current Directorships (and Appointments)

1. Oversea-Chinese Banking Corporation Limited *	Executive Director and Group Chief Executive Officer
2. PT Bank OCBC NISP Tbk*	Commissioner
3. OCBC Wing Hang Bank (China) Limited	Chairman
4. ASEAN Finance Corporation Limited	Director
5. Bank of Singapore Limited	Director
6. Dr Goh Keng Swee Scholarship Fund	Director
7. Mapletree Investments Pte Ltd	Director
8. OCBC Al-Amin Bank Bhd	Director
9. OCBC Bank (Malaysia) Bhd	Director
10. OCBC Overseas Investments Pte Ltd	Director
11. OCBC Wing Hang Bank Limited	Director
12. Advisory Board of the Asian Financial Leaders Programme	Member
13. Asian Pacific Bankers Club	Member
14. Association of Banks in Singapore	Council Member
15. MAS Financial Centre Advisory Panel	
– China Workgroup	Member and Chairman
16. MAS Financial Sector Development Fund	
– Advisory Committee	Member
17. MAS Financial Sector Tripartite Committee	Member
18. Malaysia-Singapore Business Council	Member
19. The Institute of Banking and Finance	Council Member

Directorships (and Appointments) for the past 3 years

1. Mapletree Commercial Trust Management Ltd	Director
2. SIB Capital Limited (in members' voluntary liquidation)	Director
3. ABS Benchmarks Administration Co. Pte. Ltd	
– Oversight Committee	Member
4. Advisory Council on Community Relations in Defence (Employer & Business)	Member
5. Singapore Business Federation	
– Finance and Investment Committee	Council Member

Academic and Professional Qualifications

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

GEH Board Committee Appointments

Member, Executive Committee
Member, Nominating Committee
Member, Risk Management Committee

Date of First Appointment as a Director of GEH

Director since 15 April 2012

Date of Last Re-appointment as a Director of GEH

15 April 2015

Length of Service as a Director of GEH

4 years 11 months

Independent Status

Non-executive and non-independent director

* Listed company

FURTHER INFORMATION ON DIRECTORS

WEE JOO YEOW

Current Directorships (and Appointments)

1. Frasers Centrepoint Ltd*	Director
2. Mapletree Industrial Trust Management Ltd	Director
3. OCBC Management Services Private Limited	Director
4. Oversea-Chinese Banking Corporation Limited*	Director
5. PACC Offshore Services Holdings Ltd*	Director
6. WJY Holdings Pte Ltd	Director
7. WTT Investments Pte Ltd	Director

Directorships (and Appointments) for the past 3 years

–

Academic and Professional Qualifications

Bachelor of Business Administration (Honours), University of Singapore

Master of Business Administration, New York University, USA

GEH Board Committee Appointments

Member, Nominating Committee

Member, Remuneration Committee

Date of First Appointment as a Director of GEH

Director since 1 January 2016

Date of Last Re-appointment as a Director of GEH

19 April 2016

Length of Service as a Director of GEH

1 year 2 months

Independent Status

Non-executive and non-independent director

* Listed company

MANAGEMENT TEAM

GROUP AND SINGAPORE

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

Khor Hock Seng
Group Chief Executive Officer

Ronnie Tan
Group Chief Financial Officer

Raymond Ong
Group Chief Risk Officer

Andrew Lee
Group Chief Marketing Officer

Khoo Kah Siang (Dr)
Managing Director, Life Insurance
(Singapore) and Regional
Bancassurance

Jimmy Tong
Managing Director, General and Group
Insurance

Dato Koh Yaw Hui
Chief Executive Officer (Malaysia)

Yoon Mun Thim
Group Chief Investment Officer

Ng Yoh Thai
Managing Director, Group Information
Technology

Patrick Kok
Managing Director, Group Operations

Chin Wee Cheak
Head, Group Audit

Jennifer Wong Pakshong
Group Company Secretary and General
Counsel

James Lee
Managing Director, Group Human
Capital

Ben Tan
Chief Distribution Officer

Colin Chan
Head, Group Product and Customer
Marketing

Jesslyn Tan
Chief Executive Officer, Great Eastern
Financial Advisers

Lee Swee Kiang
Head, Group Product Management

Cheung Kwok Kei
Appointed Actuary & Head of Actuarial

Leow Yung Khee (Dr)
Head, Group Insurance and Claims

Andrew Lim
Head, General Insurance

Hong Siu Ming
Head, Business Partner, Group Human
Capital

Tan Seck Geok
Head, Corporate Communications

Claudia Soh
Chief Internal Auditor

Wendy Anne Teo
Deputy General Counsel

MALAYSIA

Great Eastern Life Assurance
(Malaysia) Berhad

Dato Koh Yaw Hui
Director & Chief Executive Officer
(Directorship ended 20 Jan 2017)
Acting Chief Financial Officer
(From 16 Jan 2017)

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

Cheong Soo Ching
Chief Risk Officer

Loke Chang Yueh
Appointed Actuary

Chan Chee Wei
Head, Bancassurance

Vincent Chin Kok Lean
Head, Information Technology

Dennis Tan Koh Tiong
Head, Human Capital

Leslie Chow Khee Leong
Head, Employee Benefits

Foong Chee Kwan
Head, Affinity

Audra Chung Kit Li
Chief Internal Auditor

Puan Liza Hanim Binti Zainal Abidin
Company Secretary, Secretariat &
Legal

MANAGEMENT TEAM

Overseas Assurance Corporation (Malaysia) Berhad

Ng Kok Kheng
Chief Executive Officer

Lee Pooi Hor
Chief Operations Officer

Chong Kah Lay
Head, Corporate Distribution

Goh Ching On
Head, Claims Management

Khoo Sook Hooi
Head, Finance, Corporate &
Administration

Great Eastern Takaful Berhad

Zafri Ab Halim
Chief Executive Officer

Allen Tan Chee Keong
Head, Operations

Norizan Yahya
Head, Agency Distribution

Mohd Hanafi Mohd Isa
Head, Partnership Distribution

Tengku Sheila Tengku Azib
Head, Brand & Marketing
Communications

Razali Kipli
Head, Human Capital

Jasveen Kaur Marne
Appointed Actuary

Wan Ahmad Najib Wan Ahmad Lotfi
Head, Strategic Management & Shariah

Rasman Abdul Ghani
Head, Finance & Admin

INDONESIA

PT Great Eastern Life Indonesia

Clement Lim Cheong Kiat
President Director & CEO

Fauzi Arfan
Chief Financial Officer

Eddy Wirya Wiyana
Director, Bancassurance

Andrew Ng
Director, IT and Operations

Yungki Aldrin
Head, Human Capital

Rachman Untung Budiman
Head, Investment Management

Silvanty Nova
Head, Legal and Corporate Secretariat

Reinhard Saut M.T. Siahaan
Head, Compliance

Mara Umar
Head, Product and Marketing

Nicolaus Satya Bharata
Head, Group Insurance

Fitria Disah Djemat
Head, Risk Management

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: www.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 @ Westgate
1 Gateway Drive
Westgate Tower #18-00
Singapore 608531

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: www.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

133A 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 4231 7222

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. A25,
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 KTLD
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 Pulan Pinang
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.greateastertakaful.com
Email: i-greatcare@greateastertakaful.com

Agency Synergy Stations

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
Jakarta Selatan 12950
Indonesia
Tel: +6221 2554 3888
Fax: +6221 5794 4719
Website: www.greateasternlife.com
Email: wecare-ID@greateasternlife.com

CHINA

The Great Eastern Life Assurance Company Limited

Beijing Representative Office

No. 26 North Yue Tan Street
Heng Hua International Business Centre
710A Beijing Xi Cheng District
Beijing 100045
People's Republic of China
Tel: +8610 5856 5501
Fax: +8610 5856 5502

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: www.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
Bahan Township, Yangon
Myanmar
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 Eighteenth 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 Tuesday, 18 April 2017 at 3.00 pm to transact the following business:

AS ORDINARY BUSINESS

- 1 To receive and adopt the Directors’ Statement and the audited Financial Statements for the financial year ended 31 December 2016 and the Auditor’s Report thereon.
- 2 To approve a final one-tier tax exempt dividend of 40 cents per ordinary share in respect of the financial year ended 31 December 2016.
- 3(a) To re-elect the following Directors retiring by rotation under Article 97 of the Company’s Constitution and, who being eligible, offer themselves for re-election:
 - (i) Mr Norman Ip
 - (ii) Mr Kyle Lee Khai Fatt
 - (iii) Mr Samuel N. Tsien
- 3(b) To re-elect Mr Thean Nam Yew, a Director retiring under Article 103 of the Company’s Constitution and, who being eligible, offers himself for re-election.
- 4 To approve Directors’ fees of S\$1,990,000 for the financial year ended 31 December 2016 (2015: S\$1,930,000).
- 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, which will be proposed as Ordinary Resolutions:

- 6 That authority be and is hereby given to the Directors of the Company to:
 - (a) (i) issue shares of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

on a *pro rata* basis to shareholders of the Company, at any time and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

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 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 (the "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 of the Company excluding treasury shares shall be based on the total number of issued shares 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 Constitution 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 2017

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES

Resolutions 3

Resolutions 3(a)(i), (ii) and (iii) are to re-elect Directors who are retiring by rotation under Article 97 of the Company's Constitution. Resolution 3(b) is to re-elect a Director who is retiring under Article 103 of the Company's Constitution. 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 52 and 213 respectively in the Annual Report 2016 for more information on these Directors (including information, if any, on the relationships between these Directors and the Company or its 10% shareholders).

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 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 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 of the Company excluding treasury shares shall be based on the total number of issued shares 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 of the Company will require shareholders' approval. The Directors will only issue shares and instruments 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.

Notes:

- (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

- A proxy need not be a member of the Company.
- The instrument appointing a proxy or proxies (a form is enclosed) must be deposited with the Company, c/o The Great Eastern Life Assurance Company Limited, 1 Pickering Street, #01-01 Great Eastern Centre, Singapore 048659, not less than 72 hours before the time set for holding the Annual General 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, take-over 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 DIVIDEND

Subject to the approval of the shareholders to the final one-tier tax exempt dividend at the Annual General Meeting, the Share Transfer Books and Register of Members of the Company will be closed on 25 April 2017 for the purpose of determining the entitlement of shareholders to the recommended final one-tier tax exempt dividend of 40 cents per ordinary share. Duly completed registrable transfers of shares received by the Company's Share Registrar, M & C Services Private Limited at 112 Robinson Road, #05-01, Singapore 068902 up to 5.00 pm on 24 April 2017 will be registered to determine shareholders' entitlements to the proposed dividend. Subject to the aforesaid, Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 pm on 24 April 2017 will be entitled to the proposed dividend.

The final one-tier tax exempt dividend, if approved by shareholders, will be paid on 8 May 2017.

NON-CUMULATIVE NON-CONVERTIBLE CLASS A AND CLASS B PREFERENCE SHARES

The voting rights of the Class A and Class B Preference Shares are set out in the Constitution of the Company. No Class A or Class B Preference Shares are currently in issue.

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy Great Eastern Holdings Limited shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. 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 2017.

PROXY FORM**GREAT EASTERN HOLDINGS LIMITED**

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
(COMPANY REGISTRATION NO. 199903008M)

I/We, _____

NRIC/Passport/CompanyRegistrationNo. _____

of _____

being a member/members of Great Eastern Holdings Limited (the "Company"), 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, speak 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 Tuesday, 18 April 2017 at 3.00 pm and at any adjournment thereof.

I/We have indicated with an "X" in the appropriate box against each item below 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.	Ordinary Resolutions:	For	Against
ORDINARY BUSINESS			
1	Adoption of Directors' Statement, 2016 audited Financial Statements and Auditor's Report		
2	Approval of a final one-tier tax exempt dividend of 40 cents per ordinary share		
3(a)(i)	Re-election of Mr Norman Ip		
3(a)(ii)	Re-election of Mr Kyle Lee Khai Fatt		
3(a)(iii)	Re-election of Mr Samuel N. Tsien		
3(b)	Re-election of Mr Thean Nam Yew		
4	Approval of Directors' fees of S\$1,990,000 in respect of financial year 2016		
5	Re-appointment of Messrs Ernst & Young LLP as Auditor and authorisation for Directors to fix its remuneration		
SPECIAL BUSINESS			
6	Authority for Directors to allot and issue shares, and make or grant instruments convertible into shares		
7	Authority for Directors to allot and issue shares pursuant to the Great Eastern Holdings Limited Scrip Dividend Scheme		

Note: Voting will be conducted by poll.

Dated this _____ day of _____ 2017

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 who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. The instrument appointing a proxy or proxies must be deposited with the Company, c/o **The Great Eastern Life Assurance Company Limited, 1 Pickering Street, #01-01 Great Eastern Centre, Singapore 048659**, not less than 72 hours before the time set for holding the Annual General Meeting.
3. A proxy need not be a member of the Company.
4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), 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. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

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5. Completion and return of the instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Annual General Meeting. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.
6. 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.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or 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.
8. 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.
9. 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 (including any related attachment) appointing a proxy or proxies. In addition, in the case of a member whose shares are 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 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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**Proxy Form
Annual Report 2016**

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Koh Beng Seng, Chairman
Norman Ip
Law Song Keng
Kyle Lee Khai Fatt
Soon Tit Koon
Tan Yam Pin
Thean Nam Yew
Samuel N. Tsien
Wee Joo Yeow

NOMINATING COMMITTEE

Norman Ip, Chairman
Koh Beng Seng
Kyle Lee Khai Fatt
Samuel N. Tsien
Wee Joo Yeow

EXECUTIVE COMMITTEE

Koh Beng Seng, Chairman
Norman Ip
Law Song Keng
Samuel N. Tsien

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Norman Ip, Chairman
Koh Beng Seng
Wee Joo Yeow

RISK MANAGEMENT COMMITTEE

Koh Beng Seng, Chairman
Law Song Keng
Soon Tit Koon
Samuel N. Tsien

GROUP CHIEF EXECUTIVE OFFICER

Khor Hock Seng

GROUP COMPANY SECRETARY

Jennifer Wong Pakshong

REGISTERED OFFICE

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

SHARE REGISTRAR

M & C Services Private Limited
112 Robinson Road, #05-01
Singapore 068902
Telephone: (65) 6228 0505

AUDITOR

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



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GREAT EASTERN HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Reg. No. 199903008M)

1 Pickering Street #13-01

Great Eastern Centre

Singapore 048659

Tel : +65 6248 2000

Fax: +65 6532 2214

Website: www.greateasternlife.com

E-mail: wecare-sg@greateasternlife.com