Company Registration No. 201331905K

Etiqa Insurance Pte. Ltd.

Annual Financial Statements
31 December 2015

Building a better working world

Etiqa Insurance Pte. Ltd.

General information

Directors

Dato' Mohd Salleh Bin Hj Harun (Chairman)
Frank Johan Gerard Van Kempen
Datuk Lim Hong Tat
Kamaludin Bin Ahmad
Hj Sallim Bin Abdul Kadir
Wong Pakshong Kat Jeong Colin Stewart (Appointed on 1 September 2015)

Chief Executive

Sue Chi Kong

Company Secretary

Kang Gim Swee

Registered Office

One Raffles Quay
#22-01 North Tower
Singapore 048583

Auditor

Ernst & Young LLP

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The directors are pleased to present their statement to the member together with the audited financial statements of Etiqa Insurance Pte. Ltd. (the "Company") for the financial year ended 31 December 2015.

Opinion of the directors

In the opinion of the directors,

(a) the accompanying statement of financial position, statement of comprehensive income, statement of changes in equity, and statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and the financial performance of the business, changes in equity and cash flows of the Company for the financial year ended on that date, and

(b) 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.

Directors

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

Dato' Mohd Salleh Bin Hj Harun (Chairman)
Frank Johan Gerard Van Kempen
Datuk Lim Hong Tat
Kamaludin Bin Ahmad
Hj Sallim Bin Abdul Kadir
Wong Pakshong Kat Jeong Colin Stewart (Appointed on 1 September 2015)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement 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 or debentures of the Company or any other body corporate.

Directors' interests in shares

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, the following directors who held office at the end of the financial year have interests in shares, restricted share units ("RSU") and share options in the Company's ultimate holding company Malayan Banking Berhad, as detailed below:

Shares	At 1.1.2015	At 31.12.2015
Dato' Mohd Salleh Bin Hj Harun	354,132	373,185
Datuk Lim Hong Tat	26	66,948

Share Options	At 1.1.2015		During the financial year		At 31.12.2015
	Granted	Vested	Vested	Exercised	Balance
Datuk Lim Hong Tat	1,000,000	825,000	375,000	425,000	775,000
Kamaludin Bin Ahmad	720,600	190,600	250,000	–	440,600

RSU	At 1.1.2015	During the financial year			At 31.12.2015
	Granted	Granted	Vested	Not vested	Outstanding
Datuk Lim Hong Tat	225,000	76,434	65,184	11,250	225,000
Kamaludin Bin Ahmad	70,000	100,000	–	–	170,000

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, its ultimate holding company or a subsidiary of the holding company, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

Share options

During the financial year, there was:

(a) no option granted by the Company to any person to take up unissued shares in the Company; and

(b) no share issued by virtue of any exercise of option to take up unissued shares of the Company.

At the end of the financial year, there was no unissued share of the Company under option.

Audit Committee of the Board

The Audit Committee of the Board ("ACB") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Company, as well as the scope and results of internal and external audits performed.
- Reviewed and recommended the appointment of the external auditor, including compensation matters, to the Board of Directors for approval.
- Reviewed the annual financial statements and the external auditor's report on the annual financial statements of the Company before their submission to the Board of Directors.
- Met with the internal and external auditors, other committees, and management, where necessary, in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ACB.
- Reviewed regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators.
- Reviewed the nature and extent of non-audit services provided by the external auditor.
- Reviewed internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls, effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors.
- Reported actions and minutes of the ACB to the Board of Directors with such recommendations as the ACB considered appropriate.
- Reviewed related-party transactions where conflict of interest situations may arise.

The ACB convened 3 meetings during the year with full attendance from all members. The ACB has also met with internal and external auditors, without the presence of the Company's management for the financial year ended 31 December 2015.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Dato' Mohd Salleh Bin Hj Harun
Director

Kamaludin Bin Ahmad
Director

Singapore
22 February 2016

Independent auditor's report to the member of Etiqa Insurance Pte. Ltd.

Report on the financial statements

We have audited the accompanying financial statements of Etiqa Insurance Pte. Ltd. (the "Company") set out on pages 7 to 88, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

Auditor's responsibility

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

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

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

Independent auditor's report to the member of Etiqa Insurance Pte. Ltd.

Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst + Young LLP

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

22 February 2016

Etiqa Insurance Pte. Ltd.

Statement of financial position
As at 31 December 2015

	Note	2015 SGD'000	2014 SGD'000
Assets			
Property and equipment	4	5,608	5,390
Intangible assets	5	534	13
Investments	6	167,088	20,158
Reinsurance assets	7	17,016	70
Insurance receivables	8	9,827	54
Other receivables	9	2,524	365
Derivative assets	10	69	–
Cash and bank balances	11	28,197	14,425
Total assets		230,863	40,475
Equity attributable to shareholders			
Share capital	12	78,000	25,000
Reserves	13	(9,686)	(8,425)
Total equity		68,314	16,575
Liabilities			
Insurance contract liabilities	14	136,362	12,130
Derivative liabilities	10	5	–
Deferred tax liabilities	24	4,875	1,070
Insurance payables	15	5,071	847
Other payables	16	15,891	9,853
Current tax liabilities		345	–
Total liabilities		162,549	23,900
Total equity and liabilities		230,863	40,475

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

Etiqa Insurance Pte. Ltd.

Statement of comprehensive income
For the financial year ended 31 December 2015

	Note	Year ended 31 December 2015 SGD'000	For the financial period from 26 November 2013 (date of incorporation) to 31 December 2014 SGD'000
Gross earned premiums	17 (a)	101,499	22,657
Earned premiums ceded to reinsurers	17 (b)	(8,393)	(1)
Net earned premiums		93,106	22,656
Fee and commission income		1,918	1
Investment income, net	18	2,857	21
Realised losses	19	(1,357)	–
Fair value losses, net	20	(153)	(21)
Other operating income, net	21	411	2
Other revenue		3,676	3
Gross benefits and claims paid	22	(20,022)	–
Claims ceded to reinsurers	22	5,551	–
Gross change in contract liabilities	22	(33,390)	(12,131)
Change in contract liabilities ceded to reinsurers	22	(771)	70
Net benefits and claims		(48,632)	(12,061)
Management expenses	23	(24,001)	(12,517)
Fee and commission expenses		(19,577)	(5,436)
Taxation borne by policyholders	24	(3,805)	(1,070)
Other expenses		(47,383)	(19,023)
Profit/(loss) before tax		767	(8,425)
Taxation	25	(348)	–
Net profit/(loss) for the year/period		419	(8,425)

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

Etiqa Insurance Pte. Ltd.

Statement of comprehensive income
For the financial year ended 31 December 2015

	Note	Year ended 31 December 2015 SGD'000	For the financial period from 26 November 2013 (date of incorporation) to 31 December 2014 SGD'000
Net profit/ (loss) for the year/period		419	(8,425)
Other comprehensive losses			
Items that may be subsequently reclassified to income statement			
Changes in value of available-for-sale financial assets, net:			
- Fair value changes		(2,064)	(1)
- Fair value adjustment for available-for-sale financial assets backing participating fund	14(a)	384	1
Other comprehensive losses	13	(1,680)	–
Total comprehensive loss for the year/period		(1,261)	(8,425)

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

Etiqa Insurance Pte. Ltd.

Statement of changes in equity
For the financial year ended 31 December 2015

	Share capital SGD'000	**AFS reserves** SGD'000	**Accumulated losses** SGD'000	**Total equity** SGD'000
At 1 January 2015	25,000	–	(8,425)	16,575
Capital contribution	53,000	–	–	53,000
Net profit for the year	–	–	419	419
Other comprehensive losses	–	(1,680)	–	(1,680)
Total comprehensive income/(losses)	–	(1,680)	419	(1,261)
At 31 December 2015	78,000	(1,680)	(8,006)	68,314
At 26 November 2013 (date of incorporation)	–	–	–	–
Capital contribution	25,000	–	–	25,000
Net loss for the period	–	–	(8,425)	(8,425)
Other comprehensive losses	–	–	–	–
Total comprehensive losses	–	–	(8,425)	(8,425)
At 31 December 2014	25,000	–	(8,425)	16,575

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

Etiqa Insurance Pte. Ltd.

Statement of cash flows
For the financial year ended 31 December 2015

	Year ended 31 December 2015 SGD'000	For the financial period from 26 November 2013 (date of incorporation) to 31 December 2014 SGD'000
Cash flows from operating activities		
Profit/(loss) before taxation	767	(8,425)
Adjustments for:		
Taxation borne by policyholders	3,805	1,070
Depreciation of property and equipment	1,101	786
Amortisation of intangible assets	18	3
Write-off of property and equipment	128	–
Fair value loss on financial assets at fair value through profit or loss	153	21
Unrealised gain on foreign exchange	(452)	–
Realised loss on foreign exchange	20	–
Realised capital loss	1,229	–
Net amortisation of premiums on Singapore government securities and debt securities	89	–
Impairment of equity securities	203	–
Dividend income	(614)	–
Interest income	(2,585)	–
Write back of impairment on insurance receivables	(42)	–
Profit/(loss) from operations before changes in operating assets and liabilities	3,820	(6,545)
Changes in working capital:		
Decrease/(increase) in insurance receivables	2,948	(54)
Decrease/(increase) in other receivables	3,516	(365)
Decrease/(increase) in reinsurance assets	(16,946)	(70)
Increase in insurance contract liabilities	49,555	12,131
(Decrease)/increase in insurance payables	(1,973)	1,153
Increase in other payables	2,026	9,547
Dividend income received	553	–
Interest income received	1,573	–
Cash generated from operations	45,072	15,797
Tax paid	(3)	–
Net cash flows generated from operating activities	45,069	15,797

Statement of cash flows
For the financial year ended 31 December 2015

	Year ended 31 December 2015 SGD'000	For the financial period from 26 November 2013 (date of incorporation) to 31 December 2014 SGD'000
Cash flows from investing activities		
Purchase of investments	(146,714)	(20,180)
Proceeds from disposal of investments	109,610	–
Purchase of property and equipment	(921)	(6,176)
Purchase of intangible assets	(311)	(16)
Net increase in assets from acquisition of the insurance portfolio of the Branch (Note 34)	(45,961)	–
Net cash flows used in investing activities	(84,297)	(26,372)
Cash flows from financing activities		
Capital contribution	53,000	25,000
Net cash provided by financing activities	53,000	25,000
Net increase in cash and cash equivalents	13,772	14,425
Cash and cash equivalents at beginning of year/period	14,425	–
Cash and cash equivalents at end of year/period	28,197	14,425

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

1. Corporate information

Etiqa Insurance Pte. Ltd. (the "Company") is a private limited company, incorporated and domiciled in Singapore. The registered office and principal place of business of the Company is located at One Raffles Quay, #22-01 North Tower, Singapore 048583.

The Company's immediate holding company is Maybank Ageas Holdings Berhad ("MAHB") and its ultimate holding company is Malayan Banking Berhad ("MBB"), both of which are incorporated in Malaysia. MBB is a licensed commercial bank listed on the main board of Bursa Malaysia Securities Berhad.

On 13 June 2014, the Company was granted license by the Monetary Authority of Singapore ("MAS") to carry on life and general insurance business in Singapore.

On 1 April 2015, Etiqa Insurance Berhad, Singapore Branch (the "Branch" or "EIB") transferred its general insurance business to the Company under a scheme of transfer (See Note 34) as approved by the High Court of Singapore on 27 January 2015.

The principal activity of the Company consists of underwriting life and general insurance business.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). All accounting policies adopted are consistent with those of the previous financial period, except for cash and bank balances under Note 2.10.

The financial statements have been prepared on the historical cost basis, unless otherwise indicated in the summary of significant accounting policies.

The financial statements are presented in Singapore Dollars (SGD or S$) and rounded to the nearest thousand (SGD'000) except when otherwise stated.

2. Summary of significant accounting policies (cont'd)

2.2 *Property and equipment*

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

Subsequent to initial recognition, property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property and equipment are required to be replaced in intervals, the Company recognise such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the profit or loss as incurred.

Depreciation on property and equipment is computed on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life at the following annual rates:

Furniture and fittings, equipment and renovations	-	5 years or end of lease, whichever is shorter (where applicable)
Computer hardware and peripherals	-	4 years
Computer mainframe and server	-	7 years
Motor vehicles	-	5 years or end of COE*, whichever is shorter

* Certificate of entitlement

The residual values, useful lives and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds and the net carrying amount is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.3 *Leases*

Classification

A lease is recognised as a finance lease if it transfers substantially to the Company all the risk and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets. The land and buildings elements of a lease are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risk and rewards incidental to ownership are classified as operating leases.

Operating leases - the Company as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

2.4 *Intangible assets*

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Amortisation is charged to the profit or loss. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortised but tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Computer software and licenses

The useful lives of computer software and licenses are amortised using the straight line method over their estimated useful lives of 10 years. Impairment is assessed whenever there is indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

2. Summary of significant accounting policies (cont'd)

2.4 *Intangible assets (cont'd)*

Club membership

Club membership is carried at cost less accumulated impairment losses, if any. No amortisation is provided as management has assessed the useful life of the club membership to be indefinite. Club membership is tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired. The useful life of a club membership is reviewed annually to determine whether the useful life assessment continues to be supportable.

Software under development

Software under development is not amortised as this asset is not available for use. When the asset is available for use, it is reclassified to the relevant category of intangible assets and amortisation of the asset begins.

2.5 *Financial assets*

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

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.

The Company determines the classification of financial assets at initial recognition and this depends on the purpose for which the financial assets were acquired or originated. The categories include financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

(a) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held-for-trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Held-for-trading financial assets also include derivatives.

Financial assets can only be designated at fair value through profit or loss upon initial recognition if the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

2. Summary of significant accounting policies (cont'd)

2.5 *Financial assets (cont'd)*

(a) *Financial assets at fair value through profit or loss (cont'd)*

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss. Net gains or losses on financial assets at fair value through profit or loss do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expenses or other income and investment income respectively. Derivatives are presented as assets when the fair value is positive and as liabilities when the fair value is negative.

(b) *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. The accounting policies with respect to reinsurance assets and insurance receivables are disclosed in Note 2.8 and Note 2.9 respectively. Financial assets classified in this category include advances and other receivables.

These financial assets are initially recognised at fair value including direct and incremental transaction cost and subsequently measured at amortised cost using the effective interest method less accumulated impairment losses.

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

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the two preceding categories.

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 asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss.

Investments in equity instruments whose fair value cannot be reliably measured are stated at cost less impairment loss.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired or the Company have transferred substantially all the risks and rewards of the financial asset. 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 gains or losses that had been recognised in other comprehensive income is recognised in profit or loss.

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. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Company commit to purchase or sell the asset.

2. Summary of significant accounting policies (cont'd)

2.6 *Fair value of financial assets at fair value through profit or loss and available-for-sale financial assets*

The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market prices for assets at the close of business at the reporting date.

For financial assets in quoted and unquoted unit and real estate investment trusts, fair value is determined by reference to published prices. Investments in unquoted equity instrument that do not have quoted market prices in an active market and whose fair value cannot be reliably measured are stated at cost and assessed for impairment at each reporting date.

For non-exchange traded financial assets such as unquoted fixed income securities, fair values are determined based on over-the-counter quotes at the reporting date. These are based on market observable inputs such as benchmark market rates of interest, reported trades and broker-dealer quotes available for these investments.

Over-the-counter derivatives comprise of foreign exchange forward contracts and foreign currency swap. Over-the-counter derivatives are revalued at each reporting date, based on valuations provided by the respective counterparties in accordance with market convention.

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 instruments 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, except in the case of financial assets at fair value through profit or loss where the transaction costs are recognised in profit or loss.

2.7 *Impairment*

(a) *Financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset (other than a financial asset at fair value through profit or loss) is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset.

<u>Insurance receivables</u>

To determine whether there is objective evidence that an impairment loss on insurance receivables has been incurred, the Company consider factors such as the probability of insolvency or significant financial difficulties of the issuer or obligor and default or significant delay in payments.

Insurance receivables are initially assessed individually for those receivables that are deemed to be individually significant. If such evidence exists, the amount of impairment 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. The impairment loss is recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.7 *Impairment (cont'd)*

(a) *Financial assets (cont'd)*

Insurance receivables (cont'd)

Receivables that are not individually significant or that have been individually assessed with no evidence of impairment are grouped together for collective impairment assessment. These receivables are grouped within similar credit risk characteristics for collective assessment using such data as considered appropriate for purposes of grouping.

Collective loss estimates are based on the historical loss experience of the Company which could include the Company's past experience in collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables. The product of collective loss estimates and grouped receivables represents the expected impairment losses for that portfolio of receivables. The impairment loss is recognised in profit or loss.

The methodology and assumptions used in determining collective loss estimates are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Impairment losses on insurance receivables are recognised as a reduction against the carrying amount through the use of an allowance account. When an insurance receivable becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off in the financial statements are recognised in profit or loss.

Subsequent reversals of impairment loss are recognised when the decrease can be related objectively to an event occurring after the impairment was recognised to the extent that the carrying amount of the asset does not exceed its amortised cost had the impairment loss not been recognised. The reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortisation) and its current fair value, less any impairment losses previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on equity investments classified as available-for-sale financial assets are not reversed through profit or loss in subsequent periods. Increases in fair value, if any, subsequent to impairment are recognised in other comprehensive income. For debt instruments classified as available-for-sale financial assets, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after impairment.

2. Summary of significant accounting policies (cont'd)

2.7 *Impairment (cont'd)*

(a) *Financial assets (cont'd)*

Loans and receivables

Loans and receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment loss as a result of the occurrence of loss event after initial recognition. An impairment loss is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

(b) *Non-financial assets*

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

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Where the carrying value of an asset exceeds its estimated recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation when the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its written down to its recoverable amount.

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. The reversal is limited such that the carrying amount of the asset does not exceed its recoverable amount nor does it exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.8 *Reinsurance assets*

The Company ceded its insurance risk in the normal course of its business. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. For both ceded and assumed reinsurance, premiums, claims and benefits paid or payable are presented on a gross basis.

Reinsurance arrangements, entered into by the Company, that meet the classification requirements of insurance contracts as described in Note 2.13 are accounted for as noted below. Arrangements that do not meet these classification requirements are accounted for as financial assets.

Reinsurance assets represent amounts recoverable from reinsurers operators for insurance contract liabilities which have yet to be settled at the reporting date. Amounts recoverable from reinsurers operators are measured consistently with the amounts associated with the underlying insurance contract and the terms of the relevant reinsurance arrangement.

At each reporting date, or more frequently, the Company assesses whether objective evidence exists that reinsurance assets are impaired. Objective evidence of impairment for reinsurance assets are similar to those noted for insurance receivables as described in Note 2.9. If any such evidence exists, the amount of the impairment 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. The impairment loss is recognised in profit or loss.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

2.9 *Insurance receivables*

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that an insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. Objective evidence of impairment for insurance receivables and the determination of consequential impairment losses are as described in Note 2.7 (a).

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.8, have been met.

2.10 *Cash and cash equivalents*

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash and bank balances, including collaterals against performance bonds issued on behalf of policyholders and agency collaterals, which are subject to an insignificant risk of changes in value.

2. Summary of significant accounting policies (cont'd)

2.11 *Share capital*

Ordinary shares are classified as equity. Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

2.12 *Product classification*

The Company issues contracts that contain insurance risk or both insurance risk and 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 rate, credit rating or credit index or other variables, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is risk other than financial risk.

An insurance contract is a contract under which an entity 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 Company defines whether significant insurance risk has been accepted by comparing benefits paid or payable on the occurrence of an insured event against benefits paid or payable if the insured event does not occur. If the ratio of the former exceeds the latter by 5% or more, the insurance risk accepted is deemed to be significant.

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

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

(a) likely to be a significant portion of the total contractual benefits;

(b) whose amount or timing is contractually at the discretion of the issuer; and

(c) contractually based on the:

- performance of a specified pool of contracts or a specified type of contract; or
- realised and/or unrealised investment returns on a specified pool of asset held by the issuer; or
- the profit or loss of the company, fund or other entity that issues the contract.

Statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise their discretion as to the quantum and timing of their payment to contract holders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, are held within insurance contract liabilities as at the end of the reporting period.

2. Summary of significant accounting policies (cont'd)

2.13 *Life insurance contract liabilities*

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

For policies within the life participating fund, the insurance contract liabilities are calculated as the higher of the following:

(a) The sum of the liability calculated as the discounted value of expected future payments arising from the policy, including any expected expenses to be incurred and any provision for adverse deviation ("PAD") from the expected experience, less expected future receipts arising in respect of each policy of the life participating fund, including the allowance for expected payments arising from non-guaranteed benefits, using best estimate assumptions and discounting the future cash flows at the best estimate investment returns;

(b) The minimum condition liability of the life participating fund as defined under the Insurance (Valuation and Capital) Regulations; or

(c) The value of policy assets of the life participating fund.

For policies within the non-participating fund, the insurance contract liabilities are calculated as the discounted value of expected future payments arising from the policy, including any expected expenses to be incurred and any PAD from the expected experience, less expected future receipts arising, using best estimate assumptions and discounting the future cash flows at interest rates determined in accordance to MAS Notice 319 ("risk-free rate").

2.14 *General insurance contract liabilities*

The general insurance contract liabilities of the Company comprise claim liabilities and premium liabilities.

(a) *Claim liabilities*

Claim liabilities represent the Company's obligations, whether contractual or otherwise, to make future payments in relation to all claims that have been incurred as at reporting date. Claim liabilities are the estimated provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reported ("IBNER") and related claims handling costs. Claim liabilities are measured at best estimate and include a PAD.

Liabilities for outstanding claims are recognised upon notification by policyholders.

Claim liabilities are determined based upon valuations performed by the Certifying Actuary, using a range of actuarial claims projection techniques based on, amongst others, actual claims development patterns. Claim liabilities are not discounted.

2. Summary of significant accounting policies (cont'd)

2.14 *General insurance contract liabilities (cont'd)*

(b) *Premium liabilities*

Premium liabilities represent the Company's future obligations on insurance contracts as represented by premiums received for risks that have not yet expired. The movement in premium liabilities is released over the term of the insurance contracts and is recognised as premium income.

Premium liabilities are reported at the higher of the aggregate of the unearned premium reserves ("UPR"), net of deferred acquisition cost, for all lines of businesses or the best estimate value of the unexpired risk reserves ("URR") at the end of the financial year.

<u>Unearned premium reserves ("UPR")</u>

The UPR for annual policies represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year.

Unearned premium reserves (except marine cargo) of short-term and long-term policies are calculated using the 1/24th and 1/365th method respectively based on gross premiums written after deducting premiums for reinsurances.

Unearned premium reserve for marine cargo is calculated using 25% on premium less reinsurance.

Premium deficiency reserves are determined by a qualified actuary in accordance with Section 37 of the Insurance Act, Chapter 142.

<u>Deferred acquisition cost ("DAC")</u>

Commission and other acquisition costs incurred during the financial period that vary with and are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. DAC of short-term and long-term policies are calculated using the $1/24^{th}$ and $1/365^{th}$ method respectively on the commission incurred for all classes of business except for marine cargo. All other acquisition costs are recognised as an expense when incurred.

2. Summary of significant accounting policies (cont'd)

2.15 *Liability adequacy test*

At each reporting date, the Company reviews all insurance contract liabilities to ensure that the carrying amount of the liabilities is sufficient or adequate to cover the obligations of the Company, contractual or otherwise, with respect to insurance contracts issued. In performing this review, the Company discounts all contractual cash flows and compares this against the carrying value of insurance contract liabilities. Any deficiency is recognised in profit or loss.

2.16 *Financial liabilities*

Financial liabilities, within the scope of FRS 39 *Financial Instruments: Recognition and Measurement*, are recognised in the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs, except in the case of financial liabilities at fair value through profit or loss.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. During the financial year and as at the reporting date, the Company did not classify any of its financial liabilities at fair value through profit or loss.

The Company's other financial liabilities include other payables. Other payables are subsequently measured at amortised cost using the effective interest method.

Subsequent to initial recognition, loans and borrowings are recognised at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company have a conditional right to defer settlement of the liability for at least 12 months after the reporting date.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

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 profit or loss.

2.17 *Insurance payables*

Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration payable less directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

2. Summary of significant accounting policies (cont'd)

2.18 *Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

2.19 *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, 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. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.20 *Premium income*

Premiums represent consideration paid for an insurance contract and is accounted for as follows:

(a) *Life insurance business*

Premium income is recognised as soon as the amount of the premium can be reliably measured. Initial premium is recognised from inception date and subsequent premium are recognised on due dates. At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured.

(b) *General insurance business*

Premium income is recognised in the financial year in respect of risks assumed during that particular financial year.

Direct business premiums are recognised at the commencement date of the risk; Reinsurance business' premium is accounted for based on cessions and statements received up to the time of closing of the books; Inward facultative reinsurance premiums are recognised in the financial year in respect of the facultative risks accepted during that particular financial year, as in the case of direct policies, following the individual risks' inception dates.

2. Summary of significant accounting policies (cont'd)

2.21 *Benefits and claims expenses*

(a) *Life insurance business*

Benefits and claims expenses incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims expenses, including settlement costs less reinsurance recoveries, are accounted for using the case basis method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as benefits and claims payable on the due dates; and
- death, surrender and other benefits without due dates are treated as benefits and claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered.

Recoveries on reinsurance claims are accounted for in the same financial year as the original claims are recognised.

(b) *General insurance business*

Claim expenses represent compensation paid or payable on behalf of the insured in relation a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting date even if they had not been reported to the Company.

2.22 *Commission expenses and acquisition costs*

(a) *Life insurance business*

Gross commission and related expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding premiums to reinsurers, are charged to profit or loss in the period in which they are incurred.

(b) *General insurance business*

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

2. Summary of significant accounting policies (cont'd)

2.23 *Other revenue recognition*

Revenue is recognised when it is probable that the economic benefits associated with the transactions will flow to the Company and the amount of the revenue can be measured reliably.

(a) *Interest income*

Interest income is recognised using the effective interest method.

(b) *Dividend income*

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

2.24 *Commission income*

Commission income is derived from reinsurers in the course of ceding premiums to reinsurers, and recognised on an accrual basis in the profit or loss.

2.25 *Employee benefits*

(a) *Short-term benefits*

Wages, salaries and bonuses are recognised as an expense in the period in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) *Defined contribution plan*

As required by law, the Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

2. Summary of significant accounting policies (cont'd)

2.25 *Employee benefits (cont'd)*

(c) *Share-based compensation*

Employees' share option scheme ("ESOS")

The ultimate holding company's share-based compensation scheme, ESOS, allows the Company's employees to acquire ordinary shares of the ultimate holding company. The total fair value of share options granted to employees is recognised as an employee cost charged by the ultimate holding company over the vesting period and taking into account the probability that the options will vest.

The fair value of the share options is measured at grant date, taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable on vesting date. At each reporting date, the ultimate holding company revises its estimates of the number of options that are expected to become exercisable over the vesting period.

Settlement with the ultimate holding company in respect of the arrangement of the scheme is by cash over the vesting period.

2.26 *Foreign currency*

(a) *Functional currency*

The functional currency of the Company is Singapore Dollars, as it best reflects the economic substance of the underlying events and circumstances relevant to the Company.

(b) *Foreign currency transactions*

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the spot rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised directly in other comprehensive income.

2. Summary of significant accounting policies (cont'd)

2.27 *Income taxes*

Income tax on profit or loss for the financial year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit and surplus for the financial year and is measured using the tax rates that have been enacted as at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised as an income or an expense and included in profit or loss, except when it arises from a transaction which is recognised directly in equity/insurance contract liabilities, in which case the deferred tax is also recognised directly in other comprehensive income/insurance contract liabilities, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

2.28 *Changes in accounting policies*

At the beginning of the current financial year, the Company had adopted all new and revised standards and interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2015. The adoption of these new and revised FRSs, INT FRSs did not have any impact to the financial position or performance of the Company.

2. Summary of significant accounting policies (cont'd)

2.29 *Standards issued but not yet effective*

The Company has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 16 and 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 109, the directors expect that the adoption of other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109 are described as below.

FRS 109 *Financial Instruments*

FRS 109 introduce 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. Adopting the expected credit losses requirements will require the Company to make changes to its current processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2. Summary of significant accounting policies (cont'd)

2.30 *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 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 Company or of a parent of the Company.

(b) An entity is related to 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 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).

3. Significant accounting estimates and judgments

(a) *Critical judgements made in applying accounting policies*

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and the disclosure of contingent liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

(i) <u>Impairment of available-for-sale financial assets</u>

Judgement is required to assess impairment for available-for-sale financial assets. The Company evaluates the duration and extent to which the fair value of an investment is less than its cost; the financial health and near term business outlook for the investee, including but not limited to factors such as industry and sector performance, changes in technology and operational and financial cash flow.

3. Significant accounting estimates and judgments (cont'd)

(a) ***Critical judgements made in applying accounting policies (cont'd)***

(ii) Impairment of receivables

The Company assesses at each reporting date whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, objective evidence of impairment is deemed to exist where the receivables that are collectively assessed for impairment is past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the receivables and default or significant delays in payments.

(b) ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty as at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) General insurance business

The preparation of the financial statements in conformity with FRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. These estimates and assumptions affect the reported amounts of assets and liabilities at the reporting date as well as affecting the reported income and expenses for the year. Although the estimates are based on management's best knowledge and judgement of current facts including consultations with its Certifying Actuary as at the reporting date, the actual outcome may differ from the estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

The major classes of general insurance written by the Company include Motor, Marine cargo, Property, Work Injury Compensation and Bonds. For general insurance contracts, claims provisions (comprising provision for claims reported by policyholders and claims incurred but not reported - IBNR) are established to cover the ultimate cost of settling the liabilities in respect of claims that have occurred and are estimated based on known facts at the reporting date. The provisions are revised continuously as part of a regular ongoing process as claims are settled and further claims are reported.

3. Significant accounting estimates and judgments (cont'd)

(b) *Key sources of estimation uncertainty (cont'd)*

(ii) Life insurance business

The estimation of life insurance liabilities are aimed at determining the liabilities arising from policies in force at the reporting date and are determined in accordance with the Risk-based Capital ("RBC") Frameworks as issued by MAS. The valuation of life insurance liabilities are based on an actuarial model which utilises certain key assumptions relating to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates, adjusted when appropriate to reflect the Company's unique risk exposure, in order to determine the basis of future policies benefits payable.

Whilst these estimates are reassessed in terms of relevance and adequacy at each reporting date and the changes are reflected as adjustments to the life insurance liabilities, it is certain that actual mortality, morbidity and longevity (amongst others) will vary from the estimates used for each policyholder.

This uncertainty is mitigated to some extent through the inclusion of the PAD. In addition, the sensitivity analyses performed provide more in-depth understanding of the inherent risks that the Company is exposed to.

Accordingly, the Company is of the view that the life insurance liabilities as at the reporting date are reasonably adequate and the uncertainties have been duly mitigated via adherence to the methods prescribed in the RBC Frameworks.

4. Property and equipment

	Furniture, fittings, equipment and renovations SGD'000	Computer hardware and peripherals SGD'000	Computer mainframe and server SGD'000	Motor vehicles SGD'000	Total SGD'000
Cost					
At 1 January 2015	250	5,926	–	–	6,176
Transfer from EIB as at 1 April 2015 (Note 34)	316	150	60	–	526
Additions	628	164	104	25	921
Write-off	(133)	(3)	–	–	(136)
Reclassification	–	(5,723)	5,723	–	–
At 31 December 2015	1,061	514	5,887	25	7,487
Accumulated depreciation					
At 1 January 2015	36	750	–	–	786
Charge for the year	186	124	784	7	1,101
Write-off	(7)	(1)	–	–	(8)
Reclassification	–	(715)	715	–	–
At 31 December 2015	215	158	1,499	7	1,879
Net book value					
At 31 December 2015	846	356	4,388	18	5,608

4. Property and equipment (cont'd)

	Furniture, fittings, equipment and renovations SGD'000	Computer hardware and peripherals SGD'000	Computer mainframe and server SGD'000	Motor vehicles SGD'000	Total SGD'000
Cost					
At 26 November 2013 (date of incorporation)	–	–	–	–	–
Additions	250	5,926	–	–	6,176
At 31 December 2014	250	5,926	–	–	6,176
Accumulated depreciation					
At 26 November 2013 (date of incorporation)	–	–	–	–	–
Charge for the period	36	750	–	–	786
At 31 December 2014	36	750	–	–	786
Net book value					
At 31 December 2014	214	5,176	–	–	5,390

4. Property and equipment (cont'd)

During the financial year, the Company conducted an operational efficiency review on its property and equipment. As a result, the Company revised the estimated useful life of its computer mainframe and server from 4 to 7 years; and classified these property and equipment out of computer hardware and peripherals. The revision in estimate has been applied on a prospective basis from 1 January 2015. The effect of the above revision on depreciation charge in current and future periods are as follows:

	2015 SGD'000	2016 SGD'000	2017 SGD'000	Later SGD'000
Decrease in depreciation expenses	660	660	660	1,980

5. Intangible assets

	Computer software SGD'000	Club membership SGD'000	Software under development SGD'000	Total SGD'000
Cost				
At 1 January 2015	16	–	–	16
Transfer from EIB as at 1 April 2015 (Note 34)	144	84	–	228
Additions	85	–	226	311
At 31 December 2015	245	84	226	555
Accumulated amortisation				
At 1 January 2015	3	–	–	3
Charge for the year	18	–	–	18
At 31 December 2015	21	–	–	21
Net book value				
At 31 December 2015	224	84	226	534

5. Intangible assets (cont'd)

	Computer software SGD'000	Club membership SGD'000	Software under development SGD'000	Total SGD'000
Cost				
At 26 November 2013 (date of incorporation)	–	–	–	–
Additions	16	–	–	16
At 31 December 2014	16	–	–	16
Accumulated amortisation				
At 26 November 2013 (date of incorporation)	–	–	–	–
Charge for the period	3	–	–	3
At 31 December 2014	13	–	–	13

During the financial year, the Company conducted an operational efficiency review on its intangible assets. The Company revised the estimated useful lives its intangible assets from 3 to 10 years. The revision in estimate has been applied on a prospective basis from 1 January 2015. The effect of the above revision on amortisation charge in current and future periods are as follows:

	2015 SGD'000	2016 SGD'000	2017 SGD'000	Later SGD'000
Decrease in amortisation expenses	4	4	1	9

6. Investments

	2015 SGD'000	2014 SGD'000
Singapore government securities	13,560	400
Debt securities	82,512	3,323
Equity securities	15,955	300
Unit and property trust funds	1,705	–
Fixed and call deposits with licensed banks	53,356	16,135
	167,088	20,158

The Company's financial investments are summarised by categories as follows:

	2015 SGD'000	2014 SGD'000
Available-for-sale financial assets	88,166	300
Financial assets at fair value through profit or loss	25,566	3,723
Loans and receivables	53,356	16,135
	167,088	20,158

The carrying value of investments maturing after 12 months are as follows:

	2015 SGD'000	2014 SGD'000
Available-for-sale financial assets	69,499	–
Financial assets at fair value through profit or loss	25,566	3,723
	95,065	3,723

(a) Available-for-sale financial assets

	2015 SGD'000	2014 SGD'000
Singapore government securities	5,536	–
Debt securities:		
- Quoted	50,670	300
- Unquoted	14,300	–
Equity securities:		
- Quoted	15,955	–
Unit and property trust funds:		
- Quoted	1,705	–
	88,166	300

6. Investments (cont'd)

(b) Financial assets at fair value through profit or loss

	2015 SGD'000	2014 SGD'000
Singapore government securities	8,023	400
Debt securities:		
- Quoted	17,543	3,323
Total	25,566	3,723

(c) Loans and receivables

	2015 SGD'000	2014 SGD'000
Fixed and call deposits with licensed banks	53,356	16,135
Total	53,356	16,135

The Company reclassified its fixed and call deposits with licensed banks as at 31 December 2014 of S$16,134,807 from cash and bank balances account to investments account.

The carrying amounts of loans and receivables are reasonable approximation of fair value due to the short term maturity of these financial assets.

Fixed deposit with MBB, a related party, amounted to S$2,010,011 (2014: S$5,833,804) as at 31 December 2015.

Fair value of financial investments

An analysis of the different fair value measurement bases used in the determination of the fair values of Investments are further disclosed in Note 32 to the financial statements.

Impairment losses

The Company recognised an impairment loss of S$203,378 (2014: Nil) pertaining to quoted investments carried at fair value in the profit and loss account during the financial year.

7. Reinsurance assets

	2015 SGD'000	2014 SGD'000
Reinsurers' share of:		
- Life insurance contract liabilities (Note 14)	310	70
- General insurance contract liabilities (Note 14)	16,706	–
	17,016	70

8. Insurance receivables

Insurance receivables are non-interest bearing and are generally due within the grace period for life insurance business or on 60 days' premium warranty for direct insurance business from insures who are individuals or 60 to 90 days' credit term for others.

	2015 SGD'000	2014 SGD'000
Amount due from policyholders, agents, brokers and insurers	8,803	54
Amount due from reinsurers and cedants	1,172	–
Less: Allowance for impairment	(148)	–
	9,827	54
Total insurance receivables	9,827	54
Add: Cash and bank balance	28,197	14,425
Fixed and call deposits (Note 6)	53,356	16,135
Sundry receivables and deposits (Note 9)	1,124	38
Accrued interest and dividend income (Note 9)	1,073	61
Total loans and receivables	93,577	30,713

The carrying amounts are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

Included in amount due from policyholders, agents, brokers and insurers balances are balances due from related parties amounting to S$221,042 (2014: Nil). The amounts receivable are subject to settlement terms stipulated in the insurance contracts.

Receivables subject to offsetting arrangements

The Company's insurance receivables and insurance payables that are offset are as follows:

2015	Gross carrying amounts SGD'000	Gross amounts offset SGD'000	Net amounts SGD'000
Insurance receivables	10,749	(922)	9,827
Insurance payables	4,149	922	5,071
2014			
Insurance receivables	54	–	54
Insurance payables	847	–	847

9. Other receivables

	2015 SGD'000	2014 SGD'000
Prepayments	327	266
Sundry receivables and deposits	1,124	38
Accrued interest and dividend income	1,073	61
	2,524	365

The carrying amounts (other than prepayments) are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

10. Derivatives

The table below shows the fair values 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 is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are neither indicative of the market risk nor the credit risk.

The Company has a legally enforceable right to set off the balances and have the intention to realise the derivative asset and settle the derivative liability simultaneously. The amounts that are subjected to the netting arrangement are presented below:

	2015				2014			
	Principal/ Notional amount SGD'000	Asset SGD'000	Liability SGD'000	Net carrying amount SGD'000	Principal/ Notional amount SGD'000	Asset SGD'000	Liability SGD'000	Net carrying amount SGD'000
Forward foreign exchange contract	279	–	(5)	(5)	–	–	–	–
Foreign currency swap	11,472	69	–	69	–	–	–	–
	11,751	69	(5)	64	–	–	–	–

The fair value of derivatives is derived based on valuation techniques from market observable inputs and are revalued at the reporting date based on valuations provided by the respective counterparties. An analysis of the fair value measurement bases used in the determination of the fair values of derivatives are further disclosed in Note 32 to the financial statements.

Forwards are customised contracts transacted with a specific counterparty who agrees to buy or sell a specified asset at a pre-agreed rate at a specified future date. The contracts are settled at gross at a specified future date and are considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. It also bears market risks related to the underlying investments. Swaps are contractual agreements between two parties to exchange streams of payments over time, based on specified notional amounts, in relation to movements in a specified underlying index such as interest rate, foreign currency or equity indices. The Company enters into forward foreign exchange contract and foreign currency swap for the purpose of hedging part of its investment portfolio in USD denominated debt securities.

11. Cash and bank balances

The Company has fixed deposit of S$6,407,270 (2014: Nil) and cash in bank of S$1,840 held as collateral against performance bonds issued on behalf of policyholders throughout the period of the insurance policies and fixed deposits of S$72,526 (2014: Nil.) held as agency collaterals. The fair value of the collaterals as at the reporting date approximates the carrying amount.

Cash and bank balances invested with MBB, a related party, amounted to S$12,301,749 (2014: S$9,896,853) as at 31 December 2015.

12. Share capital

	2015		2014	
	Number of shares	SGD'000	Number of shares	SGD'000
Issued and paid-up ordinary shares:				
At beginning of year/period	25,000,000	25,000	–	–
Ordinary shares issued	53,000,000	53,000	25,000,000	25,000
At end of year/period	78,000,000	78,000	25,000,000	25,000

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 restrictions.

13. Reserves

	2015	2014
	SGD'000	SGD'000
Non-distributable:		
Available-for-sale financial assets reserves	(1,680)	–
Distributable:		
Accumulated loss	(8,006)	(8,425)
Total reserve	(9,686)	(8,425)

The available-for-sale financial assets reserves arose from the changes in the fair value of the investment assets of the general and non-participating fund.

14. Insurance contract liabilities

	2015			2014		
	Gross SGD'000	Reinsurance SGD'000	Net SGD'000	Gross SGD'000	Reinsurance SGD'000	Net SGD'000
Life insurance (Note a)	49,104	(310)	48,794	12,130	(70)	12,060
General insurance (Note b)	87,258	(16,706)	70,552	–	–	–
	136,362	(17,016)	119,346	12,130	(70)	12,060

(a) *Life insurance*

The life insurance contract liabilities and its movements are further analysed as follows:

(i) *Life insurance contract liabilities*

	2015			2014		
	Gross SGD'000	Reinsurance SGD'000	Net SGD'000	Gross SGD'000	Reinsurance SGD'000	Net SGD'000
Actuarial liabilities						
- Life contract with DPF	48,758	(182)	48,576	11,901	(21)	11,880
- Life contract without DPF	609	(128)	481	211	(49)	162
Participating fund unallocated surplus	122	–	122	19	–	19
Participating fund AFS reserve	(385)	–	(385)	(1)	–	(1)
	49,104	(310)	48,794	12,130	(70)	12,060

14. Insurance contract liabilities (cont'd)

(a) *Life insurance (cont'd)*

(ii) *Movements of life insurance contract liabilities with DPF*

As at 31 December 2015	Actuarial liabilities SGD'000	Participating fund unallocated surplus SGD'000	Participating fund AFS reserve SGD'000	Gross SGD'000	Reinsurance SGD'000	Total liabilities SGD'000
As at 1 January 2015	11,901	19	(1)	11,919	(21)	11,898
Net earned premiums	–	63,712	–	63,712	–	63,712
Other revenue	–	446	–	446	–	446
Net benefits and claims	–	(98)	–	(98)	–	(98)
Other expenses	–	(27,922)	–	(27,922)	–	(27,922)
Change in reserve:						
- Discounting	(85)	–	–	(85)	–	(85)
- Policy movements	36,942	(40,501)	–	(3,559)	(161)	(3,720)
Change in AFS reserve	–	–	(384)	(384)	–	(384)
Participating fund surplus transferred to shareholder	–	4,466	–	4,466	–	4,466
As at 31 December 2015	48,758	122	(385)	48,495	(182)	48,313
As at 31 December 2014						
As at 26 November 2013 (date of incorporation)	–	–	–	–	–	–
Net earned premiums	–	22,331	–	22,331	–	22,331
Other revenue	–	(18)	–	(18)	–	(18)
Net benefits and claims	–	–	–	–	–	–
Other expenses	–	(15,457)	–	(15,457)	–	(15,457)
Change in reserve:						
- Discounting	–	–	–	–	–	–
- Policy movements	11,901	(12,950)	–	(1,049)	(21)	(1,070)
Change in AFS reserve	–	–	(1)	(1)	–	(1)
Participating fund surplus transferred to shareholder	–	6,113	–	6,113	–	6,113
As at 31 December 2014	11,901	19	(1)	11,919	(21)	11,898

14. Insurance contract liabilities (cont'd)

(a) *Life insurance (cont'd)*

(iii) *Movements of life insurance contract liabilities without DPF*

As at 31 December 2015	Actuarial liabilities SGD'000	Gross SGD'000	Reinsurance SGD'000	Total liabilities SGD'000
As at 1 January 2015	211	211	(49)	162
Change in reserve:				
- Discounting	(2)	(2)	–	(2)
- Assumptions	–	–	–	–
- Policy movements	400	400	(79)	321
As at 31 December 2015	609	609	(128)	481
As at 31 December 2014				
As at 26 November 2013 (date of incorporation)	–	–	–	–
Change in reserve:				
- Discounting	–	–	–	–
- Assumptions	–	–	–	–
- Policy movements	211	211	(49)	162
As at 31 December 2014	211	211	(49)	162

(b) *General insurance*

	2015			2014		
	Gross SGD'000	Reinsurance SGD'000	Net SGD'000	Gross SGD'000	Reinsurance SGD'000	Net SGD'000
Claims liabilities (i)	52,463	(8,110)	44,353	–	–	–
Premium liabilities (ii)	34,795	(8,596)	26,199	–	–	–
	87,258	(16,706)	70,552	–	–	–

14. Insurance contract liabilities (cont'd)

(b) *General insurance*

(i) *Claims liabilities*

	2015 Gross SGD'000	2015 Reinsurance SGD'000	2015 Net SGD'000	2014 Gross SGD'000	2014 Reinsurance SGD'000	2014 Net SGD'000
As at 1 January	–	–	–	–	–	–
Transfer from EIB as at 1 April 2015 (Note 34)	56,431	(9,121)	47,310	–	–	–
Claims incurred during the year	15,956	(4,540)	11,416	–	–	–
Claims paid during the year (Note 22)	(19,924)	5,551	(14,373)	–	–	–
As at 31 December	52,463	(8,110)	44,353	–	–	–

(ii) *Premium liabilities*

	2015 Gross SGD'000	2015 Reinsurance SGD'000	2015 Net SGD'000	2014 Gross SGD'000	2014 Reinsurance SGD'000	2014 Net SGD'000
As at 1 January	–	–	–	–	–	–
Transfer from EIB as at 1 April 2015 (Note 34)	35,995	(8,243)	27,752	–	–	–
Movement of reserve during the year	(1,200)	(353)	(1,553)	–	–	–
As at 31 December	34,795	(8,596)	26,199	–	–	–

15. Insurance payables

	2015 SGD'000	2014 SGD'000
Due to reinsurers and cedants	2,220	–
Due to agents and intermediaries	2,851	847
	5,071	847

The carrying amounts are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

16. Other payables

	2015 SGD'000	2014 SGD'000
Premium suspense	1,042	306
Amount due to related companies *	1,255	2,471
Claims pending disbursement	47	–
Provision for reinstatement	300	–
Cash collaterals received in respect of performance bonds and agency contracts (Note 11)	6,482	–
Accrued management expenses	2,134	2,339
Sundry payables	4,631	4,737
	15,891	9,853

* Amounts due to related companies are both trade and non-trade in nature, unsecured, interest free and is repayable monthly for those trade in nature and repayable on demand for those non-trade in nature.

The carrying amounts are reasonable approximations of fair values due to the relatively short-term maturity of these balances.

17. Net earned premiums

(a) *Gross earned premiums*

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Life insurance contracts with DPF	63,715	22,332
Life insurance contracts without DPF	677	325
General insurance contracts	35,907	–
Gross premiums	100,299	22,657
Gross change in premium liabilities	1,200	–
Gross earned premiums	101,499	22,657

(b) *Earned premiums ceded to reinsurers*

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Life insurance contracts with DPF	(3)	(1)
Life insurance contracts without DPF	(20)	–
General insurance contracts	(8,723)	–
Premiums ceded to reinsurers	(8,746)	(1)
Change in premium liabilities ceded to reinsurers	353	–
Earned premiums ceded to reinsurers	(8,393)	(1)
Net earned premiums	93,106	22,656

18. Investment income, net

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Available-for-sale financial assets		
Interest income	1,580	–
Dividend income	614	–
Financial assets at fair value through profit or loss		
Interest income	680	–
Loans and receivables		
Interest income on fixed deposits	325	21
Net amortisation of premium on Singapore government securities and debt securities	(89)	–
Investment related expenses	(253)	–
Total investment income, net	2,857	21

19. Realised losses

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Realised losses on:		
Disposal of property and equipment	(128)	–
Available-for-sale financial assets		
- Singapore government securities	(26)	–
- Debt securities	(151)	–
- Equity securities	(599)	–
- Unit and property trust funds	(1)	–
	(777)	–
Financial assets at fair value through profit or loss		
- Singapore government securities	–	–
- Debts securities	(63)	–
- Derivatives	(389)	–
	(452)	–
Total realised losses	(1,357)	–

20. Fair value losses, net

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Financial assets at fair value through profit or loss		
- Debts securities	(217)	(21)
- Derivatives	64	–
Total fair value losses, net	(153)	(21)

21. Other operating income, net

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Other income		
Unrealised gain on foreign exchange	452	–
Realised gain on foreign exchange	55	–
Reversal of allowance of doubtful debts	42	
Sundry income	99	2
	648	2
Other expenses		
Impairment losses on equity securities	(203)	–
Realised loss on foreign exchange	(34)	–
	(237)	–
Total other operating income, net	411	2

22. Net benefits and claims

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Gross benefits and claims paid:		
Life	98	–
General	19,924	–
	20,022	–
Claims ceded to reinsurers:		
Life	–	–
General	(5,551)	–
	(5,551)	–
Gross change in contract liabilities:		
Life	37,358	12,131
General*	(3,968)	–
	33,390	12,131
Change in contract liabilities ceded to reinsurers:		
Life	(240)	(70)
General*	1,011	–
	771	(70)
Net benefits and claims	48,632	12,061

* This excludes movement in premium liabilities, which has been included in net earned premium on Note 17.

23. Management expenses

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Employee benefits expense	13,275	4,680
Directors' remuneration	458	50
Statutory audit	149	100
Amortisation of intangible assets	18	3
Bank charges	314	86
Depreciation of property and equipment	1,101	786
Professional fees	1,242	2,041
Rental of offices/premises	1,728	679
Electronic data processing expenses	478	53
Outsourcing services	201	2
Postage and stamp duties	68	22
Printing and stationeries	148	381
Promotional and marketing cost	2,605	2,814
Goods and services tax	992	169
Training expenses	101	22
Utilities, assessment and maintenance	55	55
Entertainment	57	12
Travelling expenses	81	137
Office facilities expenses	120	69
Legal fees	7	–
Other expenses	803	356
Total management expenses	24,001	12,517

Employee benefits expense

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Wages, salaries and CPF	12,116	3,966
Share-based compensation	141	–
Other benefits	1,018	714
Total employee benefits expenses	13,275	4,680

The Share-based compensation consists of employee share option scheme and restricted share units.

Employee share option scheme ("ESOS")

Under the ESOS award, MBB may from time to time within the offer period, offer to eligible employees a certain number of options at the offer date. Subject to acceptance, the participants will be granted the ESOS which can then be exercised within a period of five (5) years to subscribe for fully paid-up ordinary shares of 1.00 Malaysian Ringgit each in MBB, provided all the conditions including performance-related conditions are duly and fully satisfied.

As at 31 December 2015, share options granted to employees amounting to 407,400 shares while forfeited share options amounting to 20,400 shares.

23. Management expenses (cont'd)

Employee benefits expense (cont'd)

Restricted Share Units ("RSU")

Under the RSU award, MBB may from time to time within the offer period, invite selected participants to enter into an agreement with MBB, whereupon MBB shall agree to award the scheme shares to the participants, subject to fulfilling the relevant service and performance objectives and provided all performance-related conditions are duly and fully satisfied. The scheme's shares as specified under the RSU award will only vest based on a three (3) year cliff vesting schedule or a two (2) year cliff vesting schedule in the case of supplemental RSU award, provided all the RSU vesting conditions are fully and duly satisfied.

As at 31 December 2015, RSU granted to key management personnel amounting to 45,000 units while none was forfeited.

24. Taxation borne by policyholders

Deferred tax liabilities comprised the following:

	2015	**26.11.2013 to 31.12.2014**
	SGD'000	SGD'000
Future distributable surplus from insurance contracts with DPF	3,805	1,070

Movement in deferred tax liabilities is as follows:

	2015	**2014**
	SGD'000	SGD'000
At beginning of the year/period	1,070	–
Charged to profit or loss	3,805	1,070
At end of the year/period	4,875	1,070

25. Taxation

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Current income tax	348	–

The reconciliation between tax expense and the product of the accounting profit multiplied by the applicable corporate tax rate for the financial year ended 31 December 2015 is as follows:

	2015 SGD'000	26.11.2013 to 31.12.2014 SGD'000
Profit/(loss) before tax attributable to shareholder	767	(8,425)
Singapore statutory tax rate	17%	17%
Tax calculated at Singapore statutory tax rate	130	(1,432)
Adjustments:		
Non-deductible expenses	75	113
Exempt amount	(26)	–
Deferred tax assets not recognised	2	1,137
Enhanced allowance	(83)	–
Utilisation of previously unrecognised tax losses	(235)	–
Utilisation of tax losses	(289)	–
Tax basis change due to adoption of RBC framework	766	–
Others	8	182
Current income tax	348	–

The Company has unutilised tax losses of approximately S$4,994,000 (2014: S$6,692,000) available for offset against future taxable profits. No deferred tax benefit has been recognised on these tax losses due to uncertainty of its recoverability against future taxable profits. The use of these tax losses is subject to agreement of0 the tax authorities and compliance with certain provisions of the tax legislation.

26. Operating lease commitments

Company as lessee

As at the reporting date, the Company leases its office premises under lease agreements that are not cancellable within a year. The leases contain renewable options.

Future minimum lease payments for the leases with initial or remaining terms of one year or more are as follows:

	2015 SGD'000	2014 SGD'000
Within 1 year	2,415	115
After 1 year but more than 5 years	5,091	49
	7,506	164

Rental expenses recognised in income statement during the financial year is disclosed in Note 23.

27. Other commitments and contingencies

	2015 SGD'000	2014 SGD'000
Approved and contracted for:		
Information technology services	2,826	2,204
Intangible assets	82	–
Others	50	–
	2,958	2,204

28. Significant related party transactions and balances disclosures

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

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel includes all the directors and the chief executive officer of the Company.

The Company have related party relationships with its shareholders, associates and key management personnel.

Related party transactions have been entered into in the normal course of business under normal trade terms.

(a) ***Transactions with related companies***

	2015	**26.11.2013 to 31.12.2014**
	SGD'000	SGD'000
Income/(expenses):		
Interest income on fixed deposits	50	19
Premium Income	368	–
Fee and commission expenses	(9,581)	(4,384)
IT Services	(76)	–
Bank charges	(283)	–
Fund management fees	(169)	–
Others	(150)	(35)

The balances of transactions arising from related parties as at 31 December 2015 are disclosed under Notes 11 and 16. During the financial year, the Company has shared service facilities with a related party, for which it has been agreed that there was no recharges between the two parties.

(b) ***Compensation of key management personnel***

	2015	**26.11.2013 to 31.12.2014**
	SGD'000	SGD'000
Short-term employee benefits	627	358

29. Risk management framework

(a) ***Regulatory framework***

The Company is required to comply with the Insurance Act and Regulations where applicable. The MAS has set certain guidelines for the management of insurance funds. The MAS not only prescribes approval and monitoring of activities but also imposes certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise. The MAS also conducts regular compliance audits.

(b) ***Enterprise risk management framework***

The Company has established an Enterprise Risk Management ("ERM") Framework with clear terms of reference and responsibility for developing company-wide policies on strategic, product, market, credit and operational risks. This includes setting the risk taking philosophy, risk governance structure, standards for risk management policies and processes, risk measurement standards, risk limit management techniques and risk classification standards.

Risk is a component inherent in all aspects of the Company's business, which by nature involves risk taking. In its simplest term, risk is the possibility of incurring losses arising from uncertainty which would then impact the Company's objectives. The management of risk has evolved into an important business driver for strategic decisions in support of the Company's business strategies, balancing the appropriate level of risk taken proportionate to the desired level of reward while maintaining the sound financial position and capital of the Company. Essentially, the management of risk involves the establishment of risk principles and strategies as the core foundation in driving risk management practices and processes to be embedded in all processes and activities of the Company.

The ERM Framework sets out the key building blocks which served as the foundation for the management of risk, as presented below:

The components of the ERM Framework are benchmarked against leading industry practices as well as regulatory guidelines and are closely aligned to the Company's business strategy. These components are executed in accordance with the risk management standards and risk appetite set out by the Board of Directors.

29. Risk management framework (cont'd)

(b) *Enterprise risk management framework (cont'd)*

(i) *Principles*

As risk management is a core discipline of the Company, the key guiding principles established serve as the foundation for the Company's risk management practices and processes.

(ii) *Risk appetite and strategy*

The Company transacts insurance business, the nature of which involves risk taking and is intrinsic to how it creates value for its customers and shareholders. At all times, the execution of business strategy is kept within the Company's risk tolerance levels to ensure that the Company delivers sustainable growth in shareholder's value and the risk of insolvency is controlled. A clear business strategy is required together with explicit statements of which risks or events are tolerable or to be avoided at all times. The Company's risk appetite is controlled by having consistent limits and policies in place for all relevant risks.

(iii) *Governance and oversight*

The Company continuously enhances its integrated risk management approach towards an effective management of enterprise-wide risks. The Company views the overall risk management process with a structured and disciplined approach to align strategies, policies, processes, people and technology with the specific purpose of evaluating all risk types in line with enhancing shareholders' value.

The management of risk broadly takes place at different hierarchical levels. The risk governance structure for the Company is emphasised through various levels of committees, business lines, control and reporting functions.

The risk governance model provides a formalised, transparent and effective governance structure which promotes active involvement of the Board of Directors and Senior Management in the risk management process to ensure a uniform view of risk across the Company.

29. Risk management framework (cont'd)

(b) *Enterprise risk management framework (cont'd)*

(iv) *Risk culture*

Risk culture is a vital component in strengthening the Company's risk governance structure and forms a fundamental tenet of strong risk culture management. It serves as the foundation upon which a strong enterprise wide risk management structure is built.

Risk culture aligns the businesses objectives and attitude towards risk taking and risk management by establishing the way in which risks are identified, measured, controlled, monitored and reported.

A positive risk culture is driven by a strong tone at the top with a clear vision for an effective approach to risk and ingrained in all levels of management and sectors, which is built into the behaviour of each individual within the Company. In line with the evolving market environment and the dynamics within the Company and across industries, a strong risk culture requires constant attention to ensure that the material risk developments are appropriately identified, properly understood, actively discussed and strategically acted upon.

(v) *Risk management practices and processes*

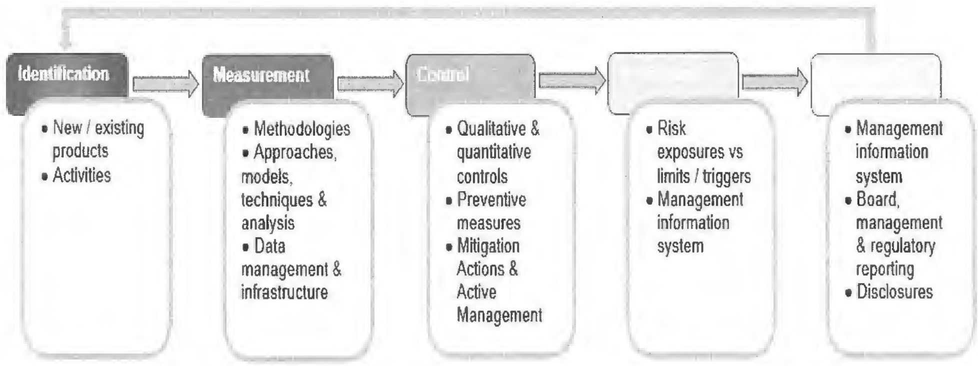
The risk management practices and processes are a fundamental component of the risk principles. To ensure a comprehensive approach to risk management whilst supporting the Company's risk principles, the risk management practices and processes are essential in enabling the Company to systematically identify, measure, control, monitor and report risk exposures throughout the Company.

To enable an effective execution of the risk management practices and process, a common risk language is an imperative pre-requisite in facilitating a consistent and uniform approach in reference to risks across the Company.

29. Risk management framework (cont'd)

(b) *Enterprise risk management framework (cont'd)*

(v) *Risk management practices and processes (cont'd)*



(vi) *Resource and System Infrastructure*

Appropriate system infrastructure and resources are the foundation and an enabler to an effective risk management practices and process. Hence, the Company has equipped itself with the necessary resources, infrastructure and support to perform its roles efficiently.

(c) *Corporate Governance Framework*

Risk organisation

The Company's risk organisation structure relates to both internal and external regulation and shapes the risk environment in which the Company operates. The three lines of defence risk management model helps to mitigate these risk. The Company's risk management is organised and is embedded in the business units.

Similarly, the Company's risk management approach is premised on three lines of defence - Risk Taking Units, Risk Control Units and Internal Audit. The three lines of defence model is distinguished among functions that own and manage risks, functions that oversee risks and functions that provide independent assurance.

(i) <u>Risk Taking Units</u>

Risk Taking Units are responsible for the day-to-day management of risks inherent in their business activities. They are the first placed and operationally responsible to ensure that the Company does not suffer from unpleasant surprises. The business is responsible for managing the full risk taxonomy that relates its execution of the business strategy and ranges from the CEO, Line Management, and Business Managers to employees in the business lines. The first line of defence excels with robust risk culture and risk awareness all the way down into the deepest levels of their organisation.

29. Risk management framework (cont'd)

(c) *Corporate Governance Framework (cont'd)*

(ii) Risk Control Units

Risk Control Units through Risk Management Department and Compliance Department, are responsible for setting the Framework, adherence to it, developing tools and methodologies for the identification, measurement, monitoring and control. In addition, the RMD has the responsibility to communicate and embed risk strategy, risk awareness and risk management within the entire organisation. The Compliance function has an overall assurance role in which it makes sure that policies abide to any relevant external guidelines and requirements.

(iii) Internal Audit

Internal Audit checks and provides independent assurance of the effectiveness of the risk management approach, proper design and implementation of the ERM Framework and observance of guidelines, policies and processes.

The internal auditors of the Maybank Group provide independent assurance of the effectiveness of the risk management approach and are the third line of defence.

This three layered strategy to manage risk is in line with the risk management approach of Maybank Group in following diagram.

29. Risk management framework (cont'd)

(c) *Corporate Governance Framework (cont'd)*

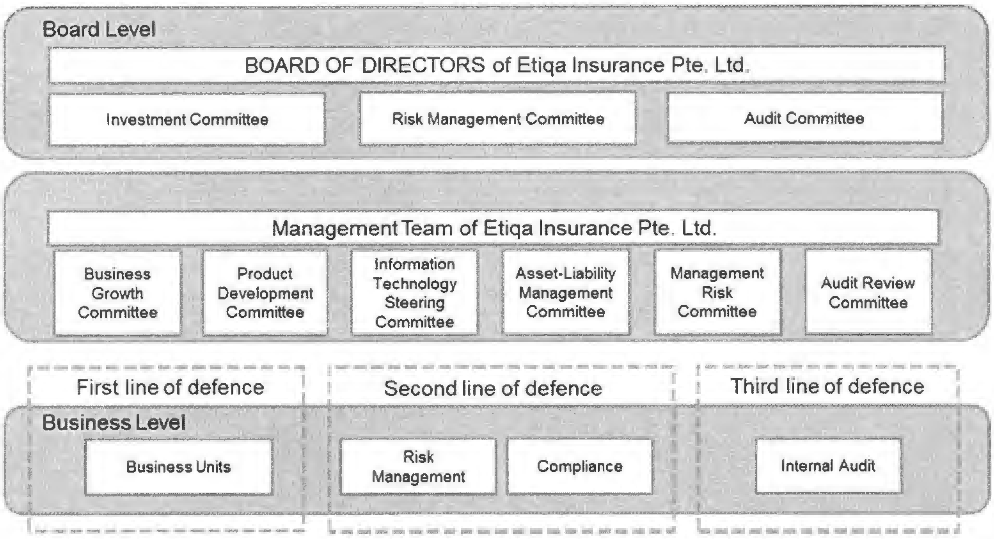
(iii) Internal Audit (cont'd)

Governance

The risk governance structure outlines the organisation, hierarchy and the scope of responsibilities of all the Governance bodies involved in the risk management function.

The Risk Management function is built around a number of Boards and Committees that have been set-up, including the Board, the Risk Management Committee and the Management Risk Committee.

The main functions of the risk governance structure are described in following diagram:



The risk governance model encapsulates the overall risk management structure of the Company. This is built around a number of committees:

29. Risk management framework (cont'd)

(c) *Corporate Governance Framework (cont'd)*

(iii) Internal Audit (cont'd)

Board Level Committees

- The **Board of Directors** is the ultimate decision-making body for all business activities, including risk management. The board have delegated specific matters to Sub-Board Committee, such as risk matters to the Risk Management Committee, Audit matters to the Audit Committee and investment matters to the Investment Committee.
- The **Risk Management Committee** assists the Board in fulfilling its supervision and monitoring responsibilities related to internal control. This includes monitoring the risk profile of the legal entities compared to the targeted level of risk appetite set by the Board of Directors.
- The **Investment Committee** is a governance body carrying an oversight function for all investment related activities.
- The **Audit Committee of the Board** assists the Board of Directors in fulfilling its supervision and monitoring responsibilities related to internal and external audit.

Management Level Committees

- The **Management Team** assures the Board of Directors that the Company takes adequate risk-return decisions and maintains controls that are fully operational.
- The **Management Risk Committee** is the advisor to the Risk Management Committee concerning all risk-related topics (e.g. limits, exposures and methodologies).
- The **Asset-Liability Management Committee** is responsible for the investment strategy and operations. It carries out its responsibilities within the limits set by the Management Risk Committee, such as the risk appetite and Asset-Liability Management constraints.
- The **Product Development Committee** coordinates and manages the whole product development process and product lifecycle management for both Life and GI businesses, aligned to the overall marketing plan of the Company.
- The **Information Technology Steering Committee** steers the overall IT direction and manages the use of IT to support business growth. This committee supports and manages changes to the Life and GI applications, including changes to support integration with other sub-systems and product launches.
- The **Business Growth Meeting** provides a platform to focus on managing strategic risks and to discuss business growth development issues, operational related matters and performance aimed to enhance revenue growth of the Company.
- The **Audit Review Meeting** is responsible for the monitoring and follow-up of audit findings.

30. Insurance risk

Insurance risk relates to the inherent risks associated with the underwriting activities of insurance business. Such risks include pricing, reserving, underwriting and reinsurance risks. Actuarial analyses are performed to manage pricing, underwriting and reserving risks by evaluating trends before benefits and claims become due for payment.

Reinsurance is placed to reduce certain insurance risk within the established risk parameters. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honour their obligations. The Company evaluates the ability of all the current and prospective reinsurers to meet their obligations under exceptional but plausible adverse events on an on-going basis.

The Company has established appropriate guidelines and framework combined with authority limits as part of risk mitigation activities embedded in the business operations. Annual internal audit reviews are performed to ensure compliance with the Company's guidelines and standards.

(a) ***Life insurance***

(i) The table below shows the concentration of actuarial liabilities by type of contract.

	Gross SGD'000	**Reinsurance** SGD'000	**Net** SGD'000
2015			
Endowment	45,827	(2)	45,825
Whole life	3,471	(293)	3,178
Mortgage	–	–	–
Term assurance	28	(13)	15
Others	41	(2)	39
Total	49,367	(310)	49,057
2014			
Endowment	10,920	(2)	10,918
Whole life	1,211	(68)	1,143
Total	12,131	(70)	12,061

All of the Company's life business is derived from Singapore and, accordingly, a geographical analysis by country is not relevant to the Company.

(ii) *Key assumptions*

Material judgement is required in setting the assumptions used in the insurance liabilities where there is insufficient experience of the Company. Assumptions in use are based on the Company's own experience (for the expense assumption), industry benchmarks and external market indices which reflect both the risk profile unique to the Company as well as the current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for potentially favourable trends in the future. Assumptions are reviewed on a periodic basis in order to ensure realistic and reasonable valuations.

30. Insurance risk (cont'd)

(a) *Life insurance (cont'd)*

(ii) *Key assumptions (cont'd)*

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Discount rate

The discount rate used for non-participating policies and guaranteed benefits of participating policies is the yield observed on the Singapore government securities of the appropriate duration.

In the case of the total benefits liabilities of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes and the long term strategic asset allocation.

Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company.

The Company bases mortality and morbidity on local established industry tables and reinsurance premium rates, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets.

Lapse and surrender rates

Lapse and surrender rates are used to determine the expected persistency of the business, i.e. the probability of policyholders renewing their policies etc. These rates are based on industry benchmarks as sufficient internal data has yet to be accumulated.

Expenses

Expense assumptions represent the expected amount that will be spent on the business. For best estimate assumptions, both current expense levels and the expected expense inflation have been taken into consideration.

30. Insurance risk (cont'd)

(a) *Life insurance (cont'd)*

(ii) *Key assumptions (cont'd)*

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

To demonstrate the impact, shocks in each of the assumptions are performed and analysed individually. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	Impact on gross liabilities	Impact on net liabilities**	Impact on profit before tax	Impact on equity
		Increase		Decrease	
	%	SGD'000	SGD'000	SGD'000	SGD'000
2015					
Discount rate*	- 1	32,479	32,407	(32,407)	(32,407)
Mortality and morbidity rates	+/- 10 (adverse)	417	368	(368)	(368)
Lapse and surrender rates	+/- 10 (adverse)	1,119	1,106	(1,106)	(1,106)
Expenses	+ 10	1,636	1,636	(1,636)	(1,636)
2014					
Discount rate*	- 1	12,203	12,157	(12,157)	(12,157)
Mortality and morbidity rates	+/- 10 (adverse)	179	156	(156)	(156)
Lapse and surrender rates	+/- 10 (adverse)	434	432	(432)	(432)
Expenses	+ 10	768	768	(768)	(768)

* Excludes impact on fixed income assets.

** The impact on net liabilities results has a corresponding impact of opposite figure on surplus rising.

30. Insurance risk (cont'd)

(b) *General insurance*

(i) The table below shows the concentration premium by type of contract.

	Gross SGD'000	Reinsurance SGD'000	Net SGD'000
2015			
Motor	8,379	(193)	8,186
Fire	6,513	(1,249)	5,264
Marine cargo	1,137	(1,203)	(66)
Miscellaneous	19,878	(6,077)	13,801
Total	35,907	(8,722)	27,185
2014			
Motor	–	–	–
Fire	–	–	–
Marine cargo	–	–	–
Miscellaneous	–	–	–
Total	–	–	–

Estimation process

The claims provision estimation process involves estimation of reserve of outstanding reported claims (case reserves), and estimation of additional reserves for incurred but not reported ("IBNR") claims and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims ("IBNER" - incurred but not enough reported). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined based on the Certifying Actuary's assessment. The total claims liabilities are subject to a quarterly actuarial review and at year end a formal actuarial report will be provided on the adequacy of the booked reserves.

30. Insurance risk (cont'd)

(b) *General insurance (cont'd)*

(ii) *Key assumptions (cont'd)*

Estimation process (cont'd)

In forming their view on the adequacy of the claims provisions, actuaries use a variety of statistical projection techniques like the Chain Ladder and Bornhuetter-Ferguson methods. Claims provisions are separately analysed by class of business. The claims provisions are intended to provide a 75% level of assurance of adequacy, and as such include a provision for adverse deviation ("PAD") beyond the expected value (best estimate) of the claims liabilities. The best estimates for premium liabilities have been determined such that the total liability provision would be adequate to pay for future claims and expenses in servicing the unexpired policies as of the valuation date. In calculating these premium liabilities for the various classes, the ultimate incurred loss of the individual class for the latest accident year is used to determine a suitable ultimate loss ratio. The results were used in this case to derive the premium liabilities.

No discounting is made to the recommended claim liability and premium liability provisions to allow for possible future investment earnings. In addition, no explicit inflation adjustment has been made to claim amount payable in future. This inflation is, however, implicitly allowed for in our valuation method, where past inflation patterns are assumed to continue into the projected future years. Given the relatively short run-off periods and the low prevailing interest rate environment, any discounting made is unlikely to result in any material impact.

Assumption of claim liabilities

The principal assumption underlying the actuarial estimate of the claims liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected amounts and variability around those expected amounts. In estimating the required claims provisions, actuaries also consider business strategy, trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Company, as well as the impact of external factors such as market practice, judicial decisions and government legislation. There is typically a lot of judgement involved in estimating the claims liabilities.

30. Insurance risk (cont'd)

(b) *General insurance (cont'd)*

(ii) *Key assumptions (cont'd)*

Sensitivity analysis

There is uncertainty inherent in the estimation process as the actual amount of ultimate claims can only be ascertained once all claims are closed. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its contracts and is summarised as follows:

	Change in assumptions %	Impact on gross liabilities SGD'000	Impact on net liabilities SGD'000	Impact on profit before tax SGD'000	Impact on equity SGD'000
2015					
Net incurred claim ratio	+ 5%	2,474	1,932	(1,932)	(1,353)
	- 5%	(2,474)	(1,932)	1,932	1,353
2014					
Net incurred claim ratio	+ 5%	–	–	–	–
	- 5%	–	–	–	–

Claim development table

Reproduced below is an exhibit that shows the development of claims including both notified and IBNR claims over a period of time on a net and gross basis. The disclosure on claims development aims to compare the results of past valuations to the actual claims developed. This is useful to evaluate actual claims development against that assumed in past projections, however, it should be noted that the projected liabilities may not be consistently close to actual liabilities every year due to the random nature of claim incidence and amount. Hence, this comparison should not be used to evaluate past projections for accuracy.

30. Insurance risk (cont'd)

Analysis of claims development – Gross of reinsurance (in SGD'000)

	As at 31 December							
	Before 2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
	S$	S$	S$	S$	S$	S$	S$	S$
Estimate of cumulative claims:								
At end of accident year	38,538	38,250	29,649	23,321	22,528	24,274	31,508	
One year later	36,275	38,102	27,503	26,673	20,438	24,996		
Two years later	36,597	34,801	33,619	18,545	19,019			
Three years later	36,739	36,582	25,632	16,200				
Four years later	37,163	32,991	23,197					
Five years later	36,053	32,448						
Six years later	35,514							
Estimate of cumulative claims	35,514	32,448	23,197	16,200	19,019	24,996	31,508	182,882
Cumulative payments to-date	34,738	29,744	20,562	13,508	13,981	16,608	9,815	138,956
Gross outstanding claims liabilities	776	2,704	2,636	2,692	5,037	8,388	21,693	43,926
Provision for prior accident years*								1,702
Unallocated loss adjustment expenses								1,334
Provision for adverse deviation								5,500
Total gross claims liabilities								52,462

Note

(a) Prior to 30 June 2011, gross valuation was only performed at the middle of each year. Thus the estimated cumulative claims for year 30 June 2011 and prior were based on gross premium earned in the first half of the year only (i.e. up to 30 June only).

(b) From 31 December 2011, gross valuation was performed based on data at 31 December and hence, the "estimate of cumulative claims" was made as at 31 December 2015.

30. Insurance risk (cont'd)

Analysis of claims development – Net of reinsurance (in SGD'000)

	As at 31 December							
	Before 2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
	S$	S$	S$	S$	S$	S$	S$	S$
Estimate of cumulative claims:								
At end of accident year	36,428	34,143	25,955	21,511	21,038	20,883	25,840	
One year later	34,194	35,294	24,794	19,283	19,425	20,015		
Two years later	34,063	32,336	23,932	17,095	18,181			
Three years later	34,234	31,231	22,531	14,834				
Four years later	34,269	29,810	20,294					
Five years later	33,842	28,779						
Six years later	33,305							
Estimate of cumulative claims	33,305	28,779	20,294	14,834	18,181	20,015	25,840	161,248
Cumulative payments to-date	32,619	27,472	18,107	12,640	13,287	12,087	7,581	123,793
Gross outstanding claims liabilities	685	1,307	2,187	2,194	4,894	7,928	18,259	37,454
Provision for prior accident years								1,071
Unallocated loss adjustment expenses								1,334
Provision for adverse deviation								4,493
Total net claims liabilities								44,352

31. Financial risk

The Company is exposed to financial risk through its financial assets, financial liabilities, insurance assets and insurance liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

(a) *Credit risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's credit risk arises mainly through investments in fixed income instruments, fixed and call deposits, cash and bank balances and contracts with policyholders and reinsurance counterparties.

However, the main contribution to credit risk arises from transactions related to the Company's positions in debt securities (mainly corporate bonds). The Company faces default risk when the counterparties fail to meet contractual payment obligations.

Financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

31. Financial risk (cont'd)

(a) *Credit risk (cont'd)*

The Company measures and manages its credit risk following the philosophies and principles below:

- Risk Management Department, together with the Investment Department, actively aims to prevent undue concentration by ensuring its credit portfolio is diversified;
- Risk Management Department establishes limits on maximum credit exposures. The credit limit for a counterparty is based on the counterparty's credit quality and is aligned to risk appetite; and
- Risk Management Department uses key risk indicators ("KRI") to alert the management on impending problems in a timely manner.

At reporting date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. At 31 December 2015, the Company did not have any significant concentration of credit risk with a single counterparty.

The following table provides information regarding the credit risk exposure of the Company by classifying its financial assets according to credit ratings of the counterparties.

2015	Investment grade* (AAA to BBB-) SGD'000	Not rated SGD'000	Not subject to credit risk SGD'000	Total SGD'000
Financial assets at fair value through profit or loss ("FVTPL")				
Singapore government securities	8,023	–	–	8,023
Debt securities	17,543	–	–	17,543
Available-for-sale financial assets ("AFS")				
Singapore government securities	5,536	–	–	5,536
Debt securities	60,579	4,391	–	64,970
Equity securities	–	–	15,955	15,955
Unit and property trust funds	–	–	1,705	1,705
Loans and receivables ("LAR")				
Fixed and call deposits	53,356	–	–	53,356
Reinsurance assets**	8,421	–	–	8,421
Derivative assets	69	–	–	69
Insurance and other receivables***	–	12,024	–	12,024
Cash and bank balances	28,197	–	–	28,197
	181,724	16,415	17,660	215,799

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

** Excluding premium liabilities

*** Excluding prepayments

31. Financial risk (cont'd)

(a) *Credit risk (cont'd)*

2014	Investment grade* (AAA to BBB-) SGD'000	Not rated SGD'000	Not subject to credit risk SGD'000	Total SGD'000
FVTPL				
Singapore government securities	400	–	–	400
Debt securities	3,323	–	–	3,323
AFS				
Equity securities	–	–	300	300
LAR				
Fixed and call deposits	16,135	–	–	16,135
Reinsurance assets	70	–	–	70
Insurance and other receivables	–	115	–	115
Cash and bank balances	14,425	–	–	14,425
	34,353	115	300	34,768

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

<u>Insurance receivables that are past due but not impaired</u>

The Company has amounts due from policyholders, agents, brokers, insurers and reinsurers that are past due at the reporting date but not impaired. These amounts are unsecured and the analysis of their aging at the reporting date is as follows:

	2015 SGD'000	2014 SGD'000
Past due but not impaired		
Less than 90 days	1,046	–
More than 90 days	286	–
	1,332	–

31. Financial risk (cont'd)

(a) *Credit risk (cont'd)*

Insurance receivables that are impaired

The Company has insurance receivables that are impaired at the reporting date and the movement of the allowance accounts used to record the impairment are as follows:

	Collectively impaired		Individually impaired	
	2015	**2014**	**2015**	**2014**
	SGD'000	SGD'000	SGD'000	SGD'000
Insurance receivables - nominal amounts	971	–	–	–
Less: Allowance for impairment	(148)	–	–	–
	823	–	–	–
Movement in allowance accounts:				
Balance at beginning of the year	–	–	–	–
Transfer from EIB as at 1 April 2015	190	–	–	–
Allowance reversed during the year	(42)	–	–	–
Balance at end of the year	148	–	–	–

(b) *Liquidity risk*

Liquidity risk is the risk that the Company may be unable to meet short-term financial obligations without having to liquidate assets at discounted price.

The objective of liquidity risk management is to safeguard the Company's ability to meet all payments when they come due. Liquidity risk management will ensure that even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawal, claims and the maturity of liabilities.

Operating and capital expenditure budgets are prepared to facilitate the management of short-term cash flows. The Company's cash management process assesses the liquidity of assets held to ensure that assets can be realised on a reasonably timely basis to settle policyholders' liabilities.

Management believes that the Company's liquid assets, its net cash provided by operations, and access to the capital from holding company will enable it to meet any foreseeable cash requirements.

31. Financial risk (cont'd)

(b) *Liquidity risk (cont'd)*

Maturity profiles

The tables below summarise the maturity profile of the Company's financial assets and liabilities based on the undiscounted contractual obligations from the reporting date to the contractual maturity or expected repayment date. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

2015	Carrying value SGD'000	No maturity date SGD'000	Less than 1 year SGD'000	1 to 5 years SGD'000	Over 5 years SGD'000	Total SGD'000
FVTPL						
Singapore government securities	8,023	–	–	4,653	6,066	10,719
Debt securities	17,543	–	–	2,259	33,289	35,548
AFS						
Singapore government securities	5,536	–	–	–	8,660	8,660
Debt securities	64,970	–	1,024	29,429	48,185	78,638
Equity securities	15,955	15,955	–	–	–	15,955
Unit and property trust funds	1,705	1,705	–	–	–	1,705
LAR						
Fixed and call deposits	53,356	–	53,500	–	–	53,500
Reinsurance asset*	8,421	–	5,487	2,508	1,260	9,255
Derivative assets	69	–	69	–	–	69
Insurance and other receivables**	12,024	–	12,024	–	–	12,024
Cash and bank balances	28,197	–	25,717	2,480	–	28,197
Total	215,799	17,660	97,821	41,329	97,460	254,270

* Excluding premium liabilities
** Excluding prepayments

31. Financial risk (cont'd)

(b) *Liquidity risk (cont'd)*

Maturity profiles (cont'd)

2015	Carrying value SGD'000	No maturity date SGD'000	Less than 1 year SGD'000	1 to 5 years SGD'000	Over 5 years SGD'000	Total SGD'000
Insurance contract liabilities*	101,567	–	(16,840)	(149,979)	481,327	314,508
Derivative liabilities	5	–	5	–	–	5
Trade and other payables	20,962	–	18,482	2,480	–	20,962
Total	122,534	–	1,647	(147,499)	481,327	335,475

* Excluding premium liabilities

2014	Carrying value SGD'000	No maturity date SGD'000	Less than 1 year SGD'000	1 to 5 years SGD'000	Over 5 years SGD'000	Total SGD'000
FVTPL						
Singapore government securities	400	–	–	433	–	433
Debt securities	3,323	–	–	909	3,727	4,636
AFS						
Equity securities	300	300	–	–	–	300
LAR						
Fixed and call deposits	16,135	–	16,139	–	–	16,139
Reinsurance asset	70	–	3	9	134	146
Insurance and other receivables*	153	–	153	–	–	153
Cash and bank balances	14,425	–	14,425	–	–	14,425
Total	34,806	300	30,720	1,351	3,861	36,232

* Excluding prepayments

31. Financial risk (cont'd)

(b) *Liquidity risk (cont'd)*

2014	Carrying value SGD'000	No maturity date SGD'000	Less than 1 year SGD'000	1 to 5 years SGD'000	Over 5 years SGD'000	Total SGD'000
Insurance contract liabilities	12,130	–	(13,716)	(58,813)	159,426	86,897
Trade and other payables	10,700	–	10,700	–	–	10,700
Total	22,830	–	(3,016)	(58,813)	159,426	97,597

Financial assets and liabilities up to one year maturity are current assets and current liabilities, respectively.

(c) *Market risk*

Market risk arises principally from the uncertainty that future earnings are exposed to potential changes in volatility, interest rates, foreign currency exchange rates and equity prices.

(i) *Currency risks*

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has no significant exposure to foreign exchange risk as the Company's primary transactions are denominated in Singapore Dollar and limited exposure to foreign currencies including US Dollar.

(ii) *Interest rate risk*

Interest rate risk is the risk that the fair value of a financial instrument and the underlying policy liabilities for which the assets are intended to fund will fluctuate due to changes in market interest rates. It is also known as asset-liability mismatch ("ALM") risk. It is mainly driven by the volatility of future cash flows. The quantum is also proxied to the duration mismatch between the assets and the liabilities of the Company.

The Company measures and manages the interest rate risk mainly based on the following three philosophies and principles.

- Actively aim to match the liability duration with the asset duration, without compromising credit quality;
- Set the benchmark for asset duration in line with risk appetite; and
- Use KRI to alert the organisation to impending problems in a timely manner.

The impact on profit before tax and equity is arrived at using the change in variable and the specific modified duration of each financial instrument the Company holds at the reporting date.

31. Financial risk (cont'd)

(c) *Market risk*

(ii) *Interest rate risk (cont'd)*

Funds	Changes in variables	Impact on profit before tax SGD'000	Impact on equity* SGD'000
2015			
Shareholders	+ 100 basis points	51	43
	- 100 basis points	(51)	(43)
General	+ 100 basis points	279	3,031
	- 100 basis points	(279)	(3,031)
Life	+ 100 basis points	(189)	(157)
	- 100 basis points	189	157
2014			
Shareholders	+ 100 basis points	–	–
	- 100 basis points	–	–
General	+ 100 basis points	–	–
	- 100 basis points	–	–
Life	+ 100 basis points	–	–
	- 100 basis points	–	–

* Impact on equity is after tax of 17%

(iii) *Equity price risk*

The Company is exposed to equity securities price risk arising from the investments held by the Company which are classified on the statement of financial position as available-for-sale financial assets. To manage its price risk arising from investment in equity securities, the Company diversifies its portfolio in accordance with the prescribed limits for each class of investments. Limits are also established for the allocation of equity investments which management deems appropriate as part of the overall strategy asset allocation mix. Liabilities are long-term in nature so that a balanced approach between fixed income and equity is taken to achieve an appropriate trade-off between volatility and long-term capital appreciation.

31. Financial risk (cont'd)

(c) *Market risk*

(iii) *Equity price risk (cont'd)*

Funds	Market index	Changes in variables	Impact on equity* SGD'000 (Decrease)/ increase
2015			
Shareholders	Singapore Exchange	+10%	–
		-10%	–
General	Singapore Exchange	+10%	848
		-10%	(848)
Life	Singapore Exchange	+10%	28
		-10%	(28)
2014			
Shareholders	Singapore Exchange	+10%	–
		-10%	–
General	Singapore Exchange	+10%	–
		-10%	–
Life	Singapore Exchange	+10%	–
		-10%	–

* Impact on equity is after tax of 17%

32. Fair value of financial instruments

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Recurring fair value measurements	Quoted prices in active markets for identical instruments (Level 1) SGD'000	Significant other observable inputs (Level 2) SGD'000	Significant unobservable inputs (Level 3) SGD'000	Total SGD'000
2015				
FVTPL				
Singapore government securities	8,023	–	–	8,023
Debt securities	17,543	–	–	17,543
AFS				
Singapore government securities	5,536	–	–	5,536
Debt securities	50,670	14,300	–	64,970
Equity securities	15,955	–	–	15,955
Unit and property trust funds	1,705	–	–	1,705
Derivative assets	–	69	–	69
At 31 December 2015	99,432	14,369	–	113,801

32. Fair value of financial instruments (cont'd)

Recurring fair value measurements	Quoted prices in active markets for identical instruments (Level 1) SGD'000	Significant other observable inputs (Level 2) SGD'000	Significant unobservable inputs (Level 3) SGD'000	Total SGD'000
2014				
FVTPL				
Singapore government securities	400	–	–	400
Debt securities	3,323	–	–	3,323
AFS				
Equity securities	300	–	–	300
At 31 December 2014	4,023	–	–	4,023

(a) ***Fair value hierarchy***

The Company classifies 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 Company 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 (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the financial year, there were no transfers of financial assets between Level 1 and Level 2 fair value measurements, and no transfer into and out of Level 3 fair value measurements.

32. Fair value of financial instruments (cont'd)

(b) ***Determination of fair value***

(i) *Fair value of financial instruments that are carried at fair value*

For quoted equity instruments, fair value is based on the exchange's official closing while for quoted debt securities, fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting date.

The fair value of unquoted debt securities are determined based on over-the-counter quotes at the reporting date. These are based on market observable inputs such as benchmark market rates of interest, reported trades and broker-dealer quotes available for these investments. These investments are included in Level 2.

(ii) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of insurance and other receivables, Cash and bank balances and insurance and other payables are reasonable approximation of fair values due to their short-term nature.

33. Capital management

The Company's source of funding is from its holding company. The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the MAS;
- to safeguard The Company's ability to continue as a going concern so that it can continue to protect policyholders; and
- to provide an adequate return to holding company by pricing insurance contracts that commensurate with the level of risk.

The Company is required to satisfy the Fund Solvency and Capital Adequacy Requirements as prescribed under the Singapore Insurance Act (Chapter 142). Under the Risk-based Capital Framework regulation set by MAS, insurance companies are required to satisfy a minimum capital adequacy ratio ("CAR") of 120%. The Company monitors its capital level on a regular basis to assess whether such requirements have been met, and reports to the MAS its fund solvency position at each quarter as well as annually. In addition, MAS may direct different capital adequacy requirements for different insurers from time to time. The Company has a CAR in excess of the current requirement as at 31 December 2015.

34. Significant event

New ordinary shares issue to MAHB

On 27 March 2015, the Company issued 53,000,000 new ordinary shares of SGD1.00 each in its immediate holding company, MAHB, at par for cash resulting in an increase in the issued and paid-up share capital of the Company from 25,000,000 ordinary shares at par value of SGD1.00 each, amounting to SGD25,000,000 to 78,000,000 ordinary shares at par value of SGD1.00 each, amounting to SGD78,000,000.

Acquisition of general insurance business

On 1 April 2015, the Company acquired assets and liabilities (excluding building, deferred tax and related tax obligation) from the Etiqa Insurance Berhad, Singapore Branch for a purchase consideration of S$50,304,578, pursuant to a scheme of transfer under section 47 of the Insurance Act, Chapter 142.

The fair values of assets and liabilities acquired as at 1 April 2015 were as follows:

	Acquiree's carrying amount SGD'000
Property and equipment	526
Intangible assets	144
Available-for-sale investments	79,434
Amounts due from insurers, agents, brokers and reinsurers	12,679
Other debtors and deposits*	4,687
Fixed deposits	33,762
Cash and bank balances	4,344
Insurance payables	(6,197)
Policy liabilities:	
- Loss reserves	(47,310)
- Reserve for unexpired risks	(27,752)
Other payables	(4,012)
Net assets acquired	50,305
Purchase consideration	(50,305)
Goodwill on acquisition	–
Cash and bank balances of business transferred	4,344
Less: Purchase consideration	(50,305)
Net increase in assets from portfolio transfer	(45,961)

*Includes club membership.

35. Comparative figures

Certain comparative figures have been reclassified following reclassification of items in the statement of financial position for consistency. Management believes that the current year presentation provides more relevant and meaningful information.

Reclassification of accounts within the statement of financial position

The Company reclassified its assets and liabilities to effect certain reclassification adjustments as follow:

	Reclassified from	Reclassified to	2014 SGD'000
Deposits with financial institutions	Cash and bank balances	Investments	16,135

36. Insurance funds

The Company's principal activities are organised by funds and segregated into shareholder's, general and life funds.

The Company's statement of financial position and statement of income have been further analysed by funds.

The Life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment products.

The General insurance business offers general insurance products which include Motor, Fire, Marine Cargo and Miscellaneous products.

Statement of financial position

	Total		Shareholder's and general fund		Life fund	
	31.12.2015 SGD'000	31.12.2014 SGD'000	31.12.2015 SGD'000	31.12.2014 SGD'000	31.12.2015 SGD'000	31.12.2014 SGD'000
Assets						
Property and equipment	5,608	5,390	323	–	5,285	5,390
Intangible assets	534	13	489	–	45	13
Investments	167,088	20,158	113,797	2,015	53,291	18,143
Reinsurance assets	17,016	70	16,706	–	310	70
Insurance receivables	9,827	54	8,601	–	1,226	54
Other receivables	2,524	365	1,851	71	673	294
Derivative assets	69	–	–	–	69	–
Cash and bank balances	28,197	14,425	18,825	2,284	9,372	12,141
Total assets	230,863	40,475	160,592	4,370	70,271	36,105

36. Insurance funds (cont'd)

Statement of financial position (cont'd)

	Total		Shareholder's and general fund		Life fund	
	31.12.2015 SGD'000	31.12.2014 SGD'000	31.12.2015 SGD'000	31.12.2014 SGD'000	31.12.2015 SGD'000	31.12.2014 SGD'000
Equity						
Share capital	78,000	25,000	78,000	25,000	–	–
Reserves	(9,686)	(8,425)	(9,686)	(8,425)	–	–
	68,314	16,575	68,314	16,575	–	–
Liabilities						
Insurance contract liabilities	136,362	12,130	87,258	–	49,104	12,130
Derivative liabilities	5	–	–	–	5	–
Deferred tax liabilities	4,875	1,070	–	–	4,875	1,070
Insurance payables	5,071	847	2,443	–	2,628	847
Other payables[1]	15,891	9,853	2,232	(12,205)	13,659	22,058
Current tax liabilities	345	–	345	–	–	–
Total liabilities	162,549	23,900	92,278	(12,205)	70,271	36,105
Total equity and liabilities	230,863	40,475	160,592	4,370	70,271	36,105
Interfund balances	–	–	680	(3,499)	(680)	3,499

1- Included in other payables are the amounts due to shareholder's, life, general funds which are unsecured, not subject to any interest elements and are settled quarterly.

36. Insurance funds (cont'd)

Statement of income

	Total		Shareholder's and general fund		Life fund	
	2015	26.11.2013 to 31.12.2014	2015	26.11.2013 to 31.12.2014	2015	26.11.2013 to 31.12.2014
	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000	SGD'000
Gross earned premiums	101,499	22,657	37,107	–	64,392	22,657
Earned premiums ceded to reinsurers	(8,393)	(1)	(8,370)	–	(23)	(1)
Net earned premiums	93,106	22,656	28,737	–	64,369	22,656
Fee and commission income	1,918	1	1,907	–	11	1
Investment income, net	2,857	21	2,029	19	828	2
Realised losses	(1,357)	–	(687)	–	(670)	–
Fair value losses, net	(153)	(21)	–	–	(153)	(21)
Other operating (expenses)/income, net	411	2	(87)	–	498	2
Other revenue	3,676	3	3,162	19	514	(16)
Gross benefits and claims paid	(20,022)	–	(19,924)	–	(98)	–
Claims ceded to reinsurers	5,551	–	5,551	–	–	–
Gross change in contract liabilities	(33,390)	(12,131)	3,968	–	(37,358)	(12,131)
Change in contract liabilities ceded to reinsurers	(771)	70	(1,011)	–	240	70
Net benefits and claims	(48,632)	(12,061)	(11,416)	–	(37,216)	(12,061)
Management expenses	(24,001)	(12,517)	(8,572)	(2,447)	(15,429)	(10,070)
Fee and commission expenses	(19,577)	(5,436)	(6,897)	–	(12,680)	(5,436)
Taxation borne by policyholders	(3,805)	(1,070)	–	–	(3,805)	(1,070)
Other expenses	(47,383)	(19,023)	(15,469)	(2,447)	(31,914)	(16,576)
Profit before tax	767	(8,425)	5,016	(2,428)	(4,249)	(5,997)
Taxation	(348)	–	(348)	–	–	–
Net profit/(loss) for the year/period	419	(8,425)	4,668	(2,428)	(4,249)	(5,997)

37. Authorisation of financial statements

The financial statements for financial year ended 31 December 2015 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2016.

Etiqa Insurance Pte. Ltd.

Co. Reg. No. 201331905K

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

The following supplementary information does not form part of the audited statutory financial statements of the company

Etiqa Insurance Pte. Ltd.

Supplementary information for the financial year ended 31 December 2015

This supplementary information has been prepared to fulfill the requirements of the Monetary Authority of Singapore ("MAS") Notice 124 "Public Disclosure Requirements" for the financial year ended 31 December 2015. For further information (otherwise stated), please refer to the annual audited financial statements for the year ended 31 December 2015.

Corporate Information

Etiqa Insurance Pte. Ltd. (the "Company") is a private limited company, incorporated and domiciled in Singapore. On 13 June 2014, the Company was granted license by MAS to carry on life and general insurance business in Singapore.

The principal activity of the Company in financial year ended 31 December 2015 consists of underwriting life and general insurance business. The major types of life insurance written by the Company include endowment, whole life, motor, fire and marine cargo products.

Business Objectives

The Company's key strategic priorities are:

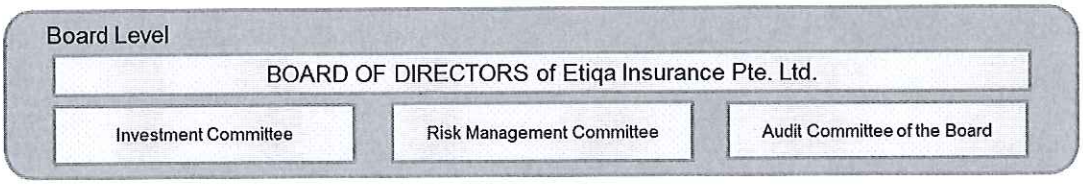
- Humanising customer experience through enhancing the customer experience with excellent service and innovative products offering that meet their needs;
- Efficient distribution by strengthening our relationship with key business partners and expanding distribution networks
- Ensuring sustainable growth in market share and profitability.

Regulatory Environment

The Company is required to comply with the Singapore Insurance Act and Regulations where applicable. The MAS has set certain guidelines for the management of insurance funds. The MAS not only prescribes approval and monitoring of activities but also imposes certain restrictive provisions e.g. capital adequacy to minimise the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise. The MAS also conducts regular compliance audits.

Corporate Governance

The Corporate Governance Framework of the Company outlines the key roles and responsibilities of the Board of Directors, as well as the sub-board committees that have been established to assist the Board of Directors in executing their tasks[1]. This framework ensures that good corporate governance standards are maintained at all times.



- The **Board of Directors ("Board")** is the ultimate decision-making body for all business activities, including risk management. The Board also ensures that the Company adopts the Group's core values and proper standards so as to operate with integrity and comply with relevant rules and regulations. The Board meets at least on a quarterly basis.

[1] No Nomination and Remuneration Committee has been established and the function remains to be assumed by the Board.

- The **Risk Management Committee ("RMC")** assists the Board in fulfilling its supervision and monitoring responsibilities related to internal control. This includes monitoring the risk profile of the legal entities compared to the targeted level of risk appetite set by the Board. This is chaired by an independent director and is held at least on a quarterly basis.
- The **Investment Committee ("IC")** is a governance body carrying an oversight function for all investment related activities. This meeting is chaired by an executive or non-executive director and is held at least on a quarterly basis.
- The **Audit Committee of the Board ("ACB")** assists the Board in fulfilling its supervision and monitoring responsibilities related to internal and external audit. This is chaired by an independent director and is held at least on a quarterly basis.

Enterprise Risk Management Framework

The Company has established an Enterprise Risk Management ("ERM") framework with clear terms of reference and responsibility for developing company-wide policies on strategic, insurance, financial, and operational risks. This includes setting the risk taking philosophy, risk governance structure, risk limit management techniques, risk classification, measurement, and management standards.

The ERM framework is set up to ensure all significant risks are identified, assessed, monitored and managed in accordance with the interests of shareholder and policyholders, and is intended to guide business conduct within the Company. The key components of the risk management approach include:

(i) Clear risk appetite and business strategy

The Company transacts insurance business, the nature of which involves risk taking and is intrinsic to how it creates value for its customers and shareholders. At all times, the execution of business strategy is kept within the Company's risk tolerance levels to ensure that the Company delivers sustainable growth in shareholder's value and the risk of insolvency is controlled. A clear business strategy is required together with explicit statements of which risks or events are tolerable or to be avoided at all times. The Company's risk appetite is controlled by having consistent limits and policies in place for all relevant risks.

(ii) Comprehensive risk management cycle

All key risks are identified and appropriately managed. Key risk indicators are used to track the most important developments against benchmarked limits including risk appetite and limit or other relevant elements. The Company's business strategies are to balance appropriate levels of risk, achieving the desired level of reward while maintaining sound financial position and capital. Essentially, the management of risk involves the establishment of risk principles and strategies in driving risk management practices and processes incorporated in all processes and activities of the Company.

(iii) Strong risk culture

The ERM framework describes the risk management process and the control procedures necessary to ensure risk management is effectively carried out. Monitoring is accomplished through ongoing management activities, separate evaluations, or both. The internal environment and business conduct targets high ethical values to ensure that all employees are risk aware, actively identify risk and control risks and are transparent in respect of risk taking. Clear responsibilities and accountabilities are the cornerstone for good risk management and good governance in general.

The Board of Directors of the Company has endorsed the Company's ERM framework and assumes overall responsibility for overseeing the Company's risk taking activities and risk management policies.

The Company continuously enhances its integrated risk management approach towards the effective management of company-wide policies on strategic, product, market, credit and operational risks.

Risk Management Practice and Process

The Risk Management practices and processes are vital components of risk principles prescribed by the Company. To safeguard a comprehensive approach to risk management whilst supporting the risk principles established for the Company, the risk management practices and processes are needed to enable the Company to systematically identify, measure, control, monitor, and report risk exposures throughout the Company. Diagram 2 below illustrates the Risk Management Process.

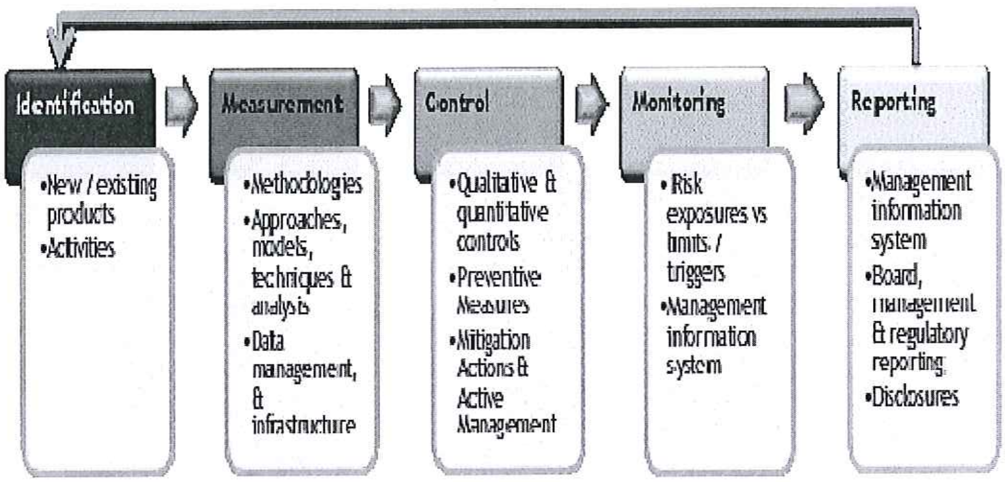


Diagram 2

Financial risk

We hold assets to back our liabilities under our insurance contracts. Financial risk arises when the market values of assets and liabilities do not move consistently in adverse market situations, and as a result, proceeds from the financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk. These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

Asset Liability Management ("ALM") practices are adopted to ensure business decisions and actions taken with respect to assets and liabilities are coordinated, subject to the Company's risk tolerance and capital resources.

Exposure to different asset classes and issuers are monitored and corresponding risk limits are set to ensure that the Company's financial risk exposures are within the allowable risk tolerance thereby limiting potential losses to an acceptable level.

Strategic asset allocation for each insurance fund is defined in order to ensure the objectives of the fund are being met, given the Company's risk-taking capacity. This is reviewed annually to ensure its relevance in light of evolving market conditions and any new developments in the Company.

Stress tests are also conducted to measure the impact of changes in market variables on the Company's solvency and earnings to ensure that the Company's financial risk exposure is within the Company's risk appetite.

Management Risk Committee and Asset Liability Committee meetings are hold on a quarterly basis to monitor and control the implementation of the risk management policies as well as to discuss the Company's risk profile, the exposure against the risk limits and any matters rising from risk and ALM perspectives.

Insurance Risk

Insurance risk relates to the inherent risks associated with the underwriting activities of life business. Such risks include pricing, reserving, underwriting and reinsurance risks. Actuarial analyses are performed to manage pricing, underwriting and reserving risks by evaluating trends before benefits and claims become due for payment.

The Company has established appropriate guidelines and framework combined with authority limits as part of risk mitigation activities embedded in the business operations.

(i) Concentrations of risk may arise when a particular event or a series of events impacts heavily upon the Company's insurance contract liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise.

The Company is exposed to geographical concentrations of risks as most of its contracts originate in Singapore.

The table below shows the concentration of actuarial liabilities by type of contract.

	Gross	**Reinsurance**	**Net**
Life Insurance	SGD'000	SGD'000	SGD'000
2015			
Endowment	45,827	(2)	45,825
Whole life	3,471	(293)	3,178
Mortgage	–	–	–
Term assurance	28	(13)	15
Others	41	(2)	39
Total	49,367	(310)	49,057
2014			
Endowment	10,920	(2)	10,918
Whole life	1,211	(68)	1,143
Total	12,131	(70)	12,061

General Insurance	Gross SGD'000	Reinsurance SGD'000	Net SGD'000
2015			
Motor	8,379	(193)	8,186
Fire	6,513	(1,249)	5,264
Marine Cargo	1,137	(1,203)	(66)
Miscellaneous	19,878	(6,077)	13,801
Total	35,907	(8,722)	27,185
2014			
Motor	-	-	-
Fire	-	-	-
Marine Cargo	-	-	-
Miscellaneous	-	-	-
Total	-	-	-

(ii) *Key assumptions – Life Insurance*

Material judgement is required in setting the assumptions used in the insurance liabilities where there is insufficient experience of the Company. Assumptions in use are based on the Company's own experience (for the expense assumption), industry benchmarks and external market indices which reflect both the risk profile unique to the Company as well as the current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for potentially favourable trends in the future. Assumptions are reviewed on a periodic basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

<u>Discount rate</u>

The discount rate used for non-participating policies and guaranteed benefits of participating policies is the yield observed on the Singapore government securities of the appropriate duration.

In the case of the total benefits liabilities of participating policies, the discount rate is based on the expected fund yield of the participating fund, net of tax on investment income. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes and the long term strategic asset allocation.

<u>Mortality and morbidity rates</u>

Mortality and morbidity rates represent the expected claims experience of the Company.

The Company bases mortality and morbidity on local established industry tables and reinsurance premium rates, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets.

<u>Lapse and surrender rates</u>

Lapse and surrender rates are used to determine the expected persistency of the business. These rates are based on industry experience.

<u>Expenses</u>

Expense assumptions represent the expected amount that will be spent on the business. For best estimate assumptions, both current expense levels and the expected expense inflation have been taken into consideration.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions affecting the determination of insurance liabilities with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity.

To demonstrate the impact, shocks in each of the assumptions are performed and analysed individually. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

	Change in assumptions	**Impact on gross liabilities**	**Impact on net liabilities****	**Impact on profit before tax**	**Impact on equity**
	%	SGD'000	SGD'000	SGD'000	SGD'000
2015					
Discount rate*	- 1	32,479	32,407	(32,407)	(32,407)
Mortality and morbidity rates	+/- 10 (adverse)	417	368	(368)	(368)
Lapse and surrender rates	+/- 10 (adverse)	1,119	1,106	(1,106)	(1,106)
Expenses	+ 10	1,636	1,636	(1,636)	(1,636)
2014					
Discount rate*	12,203	12,157	(12,157)	(12,157)	(12,157)
Mortality and morbidity rates	179	156	(156)	(156)	(156)
Lapse and surrender rates	434	432	(432)	(432)	(432)
Expenses	768	768	(768)	(768)	(768)

* Excludes impact on fixed income assets.

** The impact on net liabilities results has a corresponding impact of opposite figure on surplus rising.

(iii) *Key assumptions – General Insurance*

Estimation process

The claims provision estimation process involves estimation of reserve of outstanding reported claims (case reserves), and estimation of additional reserves for incurred but not reported ("IBNR") claims and expected future movements in the estimated ultimate liabilities associated with outstanding reported claims ("IBNER" - incurred but not enough reported). Case reserves are set and periodically reviewed by the claims department. IBNR and IBNER reserves are determined based on the Certifying Actuary's assessment. The total claims liabilities are subject to a quarterly actuarial review and at year end a formal actuarial report will be provided on the adequacy of the booked reserves.

In forming their view on the adequacy of the claims provisions, actuaries use a variety of statistical projection techniques like the Chain Ladder and Bornhuetter-Ferguson methods. Claims provisions are separately analysed by class of business. The claims provisions are intended to provide a 75% level of assurance of adequacy, and as such include a provision for adverse deviation ("PAD") beyond the expected value (best estimate) of the claims liabilities. The best estimates for premium liabilities have been determined such that the total liability provision would be adequate to pay for future claims and expenses in servicing the unexpired policies as of the valuation date. In calculating these premium liabilities for the various classes, the ultimate incurred loss of the individual class for the latest accident year is used to determine a suitable ultimate loss ratio. The results were used in this case to derive the premium liabilities.

No discounting is made to the recommended claim liability and premium liability provisions to allow for possible future investment earnings. In addition, no explicit inflation adjustment has been made to claim amount payable in future. This inflation is, however, implicitly allowed for in our valuation method, where past inflation patterns are assumed to continue into the projected future years. Given the relatively short run-off periods and the low prevailing interest rate environment, any discounting made is unlikely to result in any material impact.

Assumption of claim liabilities

The principal assumption underlying the actuarial estimate of the claims liabilities is that the past claims development experience of the Company is indicative of likely future claims development, both in terms of expected amounts and variability around those expected amounts. In estimating the required claims provisions, actuaries also consider business strategy, trends in claims frequency and severity, rate of settlement, and the impact of changes in the underwriting and claims handling policies of the Company, as well as the impact of external factors such as market practice, judicial decisions and government legislation. There is typically a lot of judgement involved in estimating the claims liabilities.

Sensitivities

There is uncertainty inherent in the estimation process as the actual amount of ultimate claims can only be ascertained once all claims are closed. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process in respect of its contracts and is summarised as follows:

	Change in assumptions %	**Impact on gross liabilities** SGD'000	**Impact on net liabilities** SGD'000	**Impact on profit before tax** SGD'000	**Impact on equity** SGD'000
2015					
Net incurred claim ratio	+ 5%	2,474	1,932	(1,932)	(1,932)
	- 5%	(2,474)	(1,932)	1,932	1,932
2014					
Net incurred claim ratio	+ 5%	-	-	-	-
	- 5%	-	-	-	-

Claim Development Table

Reproduced below is an exhibit that shows the development of claims including both notified and IBNR claims over a period of time on a net and gross basis. The disclosure on claims development aims to compare the results of past valuations to the actual claims developed. This is useful to evaluate actual claims development against that assumed in past projections, however, it should be noted that the projected liabilities may not be consistently close to actual liabilities every year due to the random nature of claim incidence and amount. Hence, this comparison should not be used to evaluate past projections for accuracy.

Analysis of claims development – Gross of reinsurance (in SGD'000)

	As at 31 December							
	Before 2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
	S$	S$	S$	S$	S$	S$	S$	S$
Estimate of cumulative claims:								
At end of accident year	38,538	38,250	29,649	23,321	22,528	24,274	31,508	
One year later	36,275	38,102	27,503	26,673	20,438	24,996		
Two years later	36,597	34,801	33,619	18,545	19,019			
Three years later	36,739	36,582	25,632	16,200				
Four years later	37,163	32,991	23,197					
Five years later	36,053	32,448						
Six years later	35,514							
Estimate of cumulative claims	35,514	32,448	23,197	16,200	19,019	24,996	31,508	182,882
Cumulative payments to-date	34,738	29,744	20,562	13,508	13,981	16,608	9,815	138,956
Gross outstanding claims liabilities	776	2,704	2,636	2,692	5,037	8,388	21,693	43,926
Provision for prior accident years*								1,702
Unallocated loss adjustment expenses								1,334
Provision for adverse deviation								5,500
Total gross claims liabilities as per the balance sheet								52,462

Note

(a) Prior to 30 June 2011, gross valuation was only performed at the middle of each year. Thus the estimated cumulative claims for year 30 June 2011 and prior were based on gross premium earned in the first half of the year only (i.e. up to 30 June only).

(b) From 31 December 2011, gross valuation was performed based on data at 31 December and hence, the "estimate of cumulative claims" was made as at 31 December 2015.

Analysis of claims development – Net of reinsurance (in SGD'000)

	As at 31 December							
	Before 2009	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**Total**
	S$	S$	S$	S$	S$	S$	S$	S$
Estimate of cumulative claims:								
At end of accident year	36,428	34,143	25,955	21,511	21,038	20,883	25,840	
One year later	34,194	35,294	24,794	19,283	19,425	20,015		
Two years later	34,063	32,336	23,932	17,095	18,181			
Three years later	34,234	31,231	22,531	14,834				
Four years later	34,269	29,810	20,294					
Five years later	33,842	28,779						
Six years later	33,305							
Estimate of cumulative claims	33,305	28,779	20,294	14,834	18,181	20,015	25,840	161,248
Cumulative payments to-date	32,619	27,472	18,107	12,640	13,287	12,087	7,581	123,793
Gross outstanding claims liabilities	685	1,307	2,187	2,194	4,894	7,928	18,259	37,454
Provision for prior accident years								1,071
Unallocated loss adjustment expenses								1,334
Provision for adverse deviation								4,493
Total net claims liabilities as per the balance sheet								44,352

Use of Reinsurance

Reinsurance is placed to reduce certain insurance risks within the established risk parameters. The Company enters into reinsurance arrangements under which the Company is compensated for losses on one or more contracts issued by the Company. Reinsurance contracts that meet the definition of insurance contracts are classified as reinsurance contracts held. The Company employs surplus reinsurance arrangement to manage life insurance risk with a maximum retention limit for any single life insured that is set according to the reinsurance management strategy. To manage general reinsurance risk, the Company entered into proportional reinsurance arrangements such as quota share and surplus treaties to cover various classes such as Fire, Engineering and etc. The Company also entered into non-proportional treaties such as excess of loss cover for most general insurance business class.

Capital Management and Capital Adequacy

The Company's source of funding is from its holding company. The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by the MAS;
- to safeguard the Company's ability to continue as a going concern so that it can continue to protect policyholders; and
- to provide an adequate return to holding company by pricing insurance contracts that commensurate with the level of risk.

The Company is required to satisfy the Fund Solvency and Capital Adequacy Requirements as prescribed under the Singapore Insurance Act (Chapter 142). Under the Risk-based Capital Framework regulation set by Monetary Authority of Singapore (MAS), insurance companies are required to satisfy a minimum capital adequacy ratio (CAR) of 120%. The Company monitors its capital level on a regular basis to assess whether such requirements have been met, and reports to the MAS its fund solvency position at each quarter as well as annually. In addition, MAS may direct different capital adequacy requirements for different insurers from time to time. The Company has a CAR in excess of the current requirement as at 31 December 2015. The CAR of the Company is available in the Company's audited Annual Return on the MAS website[i].

In addition to satisfying regulatory capital requirements, the Company also conducts stress tests on the projected solvency position of the Company to ensure that the management understands the risks to solvency that the Company is facing and plans for risk mitigation actions where necessary.

Investment Management

(i) *Investment Objectives*

The investment objective is to achieve an adequate investment return to satisfy future liabilities and to optimise the risk/returns characteristics of the company's investment assets whilst maintaining compliance, at all time, with the regulatory requirement of the MAS.

(ii) *Policies and Processes*

The Investment Policy ("the Policy") provides the principles and requirements to be applied in the management of investments, ensuring that the interests and rights of policy owners and shareholders are not compromised. The policy also sets out the scope, responsibilities and guiding principles for investment management activities by the Investment Management Team.

As the Company is a licensed insurer, all investment activities will be/are carried out prudently to ensure continued stability and consistency. Specific to the Participating Fund, the overall investment objectives ensures that the fund is able to meet the guaranteed liabilities with a high confidence and to invest assets supporting the non-guaranteed liabilities, such as providing stable medium to long term returns to the policyholders.

The Board provides the final approval of the Strategic Asset Allocation (SAA), the Investment strategy and the Investment Policy. The Board, through its Investment Committee exercises its oversight on all investment activities of the Company.

(iii) Investment Portfolio Summary

The company has invested in listed equities, government bonds, corporate bonds and deposits. All corporate bonds held by the company are at least rated as investment grade (BBB- by S&P or Fitch or Baa3 by Moody's).

(iv) Valuation of Investment

For quoted equity instruments, fair value is based on the exchange's official closing while for quoted debt securities, fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting date.

(v) Sensitivity to Market Variables

The Company's investments are exposed to a variety of financial risks, including the effects of changes in equity market prices and interest rates. For further information concerning the level of sensitivity to market variables associated with the Company's asset portfolio, please refer to the Company's annual financial statements.

Financial Performance

For internal management reporting purpose, the Company monitors the financial performance via the different insurance funds. For further information on the financial performance of the various insurance funds, please refer to the Company's annual financial statements and Form 2 of the annual regulatory returns (that will be made available on the MAS website).

The returns of investment assets and components of such returns are available on the financial statements under Note 6, 18, 19, 20 and 21.

Pricing adequacy

All new products are priced in line with the Product Approval and Review Guidelines to ensure adequate pricing considerations, recognition of all relevant risks and the profitability criteria being met.

All in-force products will be reviewed annually by the product development committee. The purpose of the review is to ensure all products continue to meet the appropriate criteria for profitability in light of current experience.

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[i] http://www.mas.gov.sg/Statistics/Insurance-Statistics/Insurance-Company-Returns.aspx