Company Registration No. 201331905K

Etiqa Insurance Pte. Ltd.

Annual Financial Statements
Period from 26 November 2013 (date of incorporation) to 31 December 2014

Building a better
working world

Etiqa Insurance Pte. Ltd.

General information

Directors

Dato' Mohd Salleh Bin Hj Harun (Chairman)	(Appointed on 15 July 2014)
Frank Johan Gerard Van Kempen	(Appointed on 15 July 2014)
Datuk Lim Hong Tat	(Appointed on 15 July 2014)
Kamaludin Bin Ahmad	(Appointed on 26 November 2013)
Hj Sallim Bin Abdul Kadir	(Appointed on 3 December 2014)
Hong Wai Lan	(Resigned on 15 July 2014)

Chief Executive

Mr Sue Chi Kong

Company Secretary

Mr 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 report together with the audited financial statements of Etiqa Insurance Pte. Ltd. (the "Company") for the financial period from 26 November 2013 (date of incorporation) to 31 December 2014.

Directors

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

Dato' Mohd Salleh Bin Hj Harun (Chairman)	(Appointed on 15 July 2014)
Mr Frank Johan Gerard Van Kempen	(Appointed on 15 July 2014)
Datuk Lim Hong Tat	(Appointed on 15 July 2014)
Mr Kamaludin Bin Ahmad	(Appointed on 26 November 2013)
Mr Hj Sallim Bin Abdul Kadir	(Appointed on 3 December 2014)

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial period 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 and debentures

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 period have interests in shares, restricted share units ("RSU") and share options in the Company's ultimate holding company, as detailed below:

Ultimate holding company		**At date of appointment**	**DRP***	**At end of financial period**
Malayan Banking Berhad				
Direct interest				
Dato' Mohd Salleh Bin Hj Harun	Shares	347,047	7,085	354,132
Datuk Lim Hong Tat	Shares	26	-	26
Datuk Lim Hong Tat	RSU	225,000	-	225,000
Datuk Lim Hong Tat**	Share options	1,000,000	-	1,000,000
Mr Kamaludin Bin Ahmad	RSU	70,000	-	70,000
Mr Kamaludin Bin Ahmad***	Share options	720,600	-	720,600

* DRP = Dividend Reinvestment Plan
** As at end of financial period, 825,000 share options had been vested, but not exercised.
*** As at end of financial period, 190,600 share options had been vested, but not exercised.

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

Directors' contractual benefits

During the financial period, no Director of the Company has received or has become entitled to receive a benefit (by reason of a contract made by the Company or a related corporation with the Director, or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest) required to be disclosed under Section 201(8) of the Companies Act, Chapter 50, except as disclosed in the financial statements.

Share options

During the financial period, 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 period, there was no unissued share of the Company under option.

Auditor

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

On behalf of the board of directors:

Dato' Mohd Salleh Bin Hj Harun
Director

Mr Kamaludin Bin Ahmad
Director

Singapore
23 February 2015

Etiqa Insurance Pte. Ltd.

Statement by directors

We, Dato' Mohd Salleh Bin Hj Harun and Mr Kamaludin Bin Ahmad, being two of the directors of Etiqa Insurance Pte. Ltd., do hereby state that, in the opinion of the directors:

(i) 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 state of affairs of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Company for the financial period from 26 November 2013 (date of incorporation) to 31 December 2014, and

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

On behalf of the board of directors:

Dato' Mohd Salleh Bin Hj Harun
Director

Mr Kamaludin Bin Ahmad
Director

Singapore
23 February 2015

Report on the financial statements

We have audited the accompanying financial statements of Etiqa Insurance Pte. Ltd. (the "Company") set out on pages 6 to 42, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial period from 26 November 2013 (date of incorporation) to 31 December 2014, 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 unauthorized use or disposition; and transactions are properly authorized and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and statement of financial position and to maintain accountability of assets.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the 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 state of affairs of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Company for the financial period from 26 November 2013 (date of incorporation) to 31 December 2014.

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

23 February 2015

Etiqa Insurance Pte. Ltd.

Statement of financial position
As at 31 December 2014

	Note	2014 SGD'000
Assets		
Property and equipment	4	5,390
Intangible assets	5	13
Prepayments and other assets	6	304
Investments	7	4,023
Insurance and other receivables	8	115
Cash and cash equivalents	9	30,560
Total assets		40,405
Equity attributable to shareholders		
Share capital	10	25,000
Accumulated losses		(8,425)
Total equity		16,575
Liabilities		
Insurance contract liabilities	11	12,060
Deferred tax liabilities	12	1,070
Insurance and other payables	13	10,700
Total liabilities		23,830
Total equity and liabilities		40,405

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 period from 26 November 2013 (date of incorporation) to 31 December 2014

	Note	For the financial period from 26 November 2013 (date of incorporation) to 31 December 2014 SGD'000
Income		
Gross written premiums	14	22,657
Premiums ceded to reinsurers	14	(1)
Net premiums		22,656
Investment and other income	15	23
		22,679
Expenses		
Change in insurance contract liabilities	11	12,061
Fee and commission expenses		5,435
Employee benefits expenses	16	4,680
Depreciation and amortisation	4, 5	789
Management and other expenses	17	7,048
Fair value losses	7	21
Taxation of life fund	12	1,070
		31,104
Loss before tax		(8,425)
Income tax attributable to shareholder		–
Net loss for the financial period after tax		(8,425)
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss:		
Change in value of AFS financial assets:		
Fair value changes		(1)
Fair value adjust for AFS financial asset backing Participating Fund		1
Other comprehensive income for the financial period		–
Total comprehensive income for the financial period		(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 period from 26 November 2013 (date of incorporation) to 31 December 2014

	Share capital SGD'000	**Accumulated losses** SGD'000	**Total equity** SGD'000
At 26 November 2013 (date of incorporation)	–	–	–
Capital contribution	25,000	–	25,000
Loss for the period	–	(8,425)	(8,425)
Other comprehensive income	–	–	–
Total comprehensive income for the financial period	–	(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 flow
For the financial period from 26 November 2013 (date of incorporation) to 31 December 2014

	For the financial period from 26 November 2013 (date of incorporation) to 31 December 2014
	SGD'000
Cash flows from operating activities	
Loss before taxation	(8,425)
Adjustments for:	
Taxation of life fund	1,070
Depreciation of property and equipment	786
Amortisation of intangible assets	3
Fair value loss on investment	21
Loss from operations before changes in operating assets and liabilities	(6,545)
Changes in working capital:	
Increase in insurance and other receivables	(115)
Increase in prepayments and other assets	(304)
Increase in trade and other payables	10,700
Increase in insurance contract liabilities	12,061
Net cash flows generated from operating activities	15,797
Cash flows from investing activities	
Purchase of investments	(4,045)
Purchase of property and equipment	(6,176)
Purchase of intangible assets	(16)
Net cash flows used in investing activities	(10,237)
Cash flows from financing activity	
Capital contribution	25,000
Net cash flows used in financing activity	25,000
Net increase in cash and cash equivalents	30,560
Cash and cash equivalents at beginning of period	–
Cash and cash equivalents at end of period	30,560

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.

The Company was registered under the Companies Act, Chapter 50 on 26 November 2013 as a management holding company under the name of Etiqa Pte. Ltd.. On 20 May 2014, the Company has changed its name from Etiqa Pte. Ltd. to Etiqa Insurance Pte. Ltd.. 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.

The principal activity of the Company in financial period from 26 November 2013 to 31 December 2014 consists of underwriting life 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").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

2.2 *Changes in accounting policies*

During the financial period, the Company has adopted all the new and revised standards and interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Company.

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
Amendments to FRS 24 *Related Party Disclosures*	1 July 2014

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 *Product classification*

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Insurance contracts are further classified as either with or without Discretionary Participation Features ("DPF"). Contracts in the participating fund are classified as insurance contract with DPF.

2.5 *Property and equipment*

All items of property and equipment are initially recorded at cost. The costs of an item of property, plant 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. 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.

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

2.5 *Property and equipment (cont'd)*

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
Computers and peripherals and system	-	3 to 4 years

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

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

An item of property, plant 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.

2.6 *Intangible assets*

Intangible assets are carried at cost less accumulated amortisation and impairment in value, if any. Intangible assets, consisting mainly of software (not an integral part of its related hardware), are capitalized at cost. These costs are amortised on a straight-line basis over their estimated useful life of 3 years. Periods and method of amortisation for intangible assets with finite useful lives are reviewed annually or earlier when an indicator of impairment exists.

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.

2.7 *Impairment of non-financial assets*

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

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

2.7 *Impairment of non-financial assets (cont'd)*

Impairment losses are recognised in profit and loss account in those expense categories consistent with the function of the impaired assets, 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.

An assessment is made at each balance sheet date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit and loss account unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.8 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

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

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

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

(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. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. Financial assets classified in this category includes insurance and other receivables.

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

2.8 *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(c) Available-for-sale ("AFS") financial assets

AFS financial assets include equity securities. Equity investments classified as AFS are those, which are neither classified as held for trading nor designated at FVTPL.

After initial recognition, AFS 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. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

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

Derecognition

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

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

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

Offsetting of financial instruments

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

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

2.9 *Fair value of financial assets at FVTPL and AFS 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 unit, 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.

If the fair value cannot be measured reliably, these financial instruments are stated 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 as FVTPL where the transaction costs are recognised in profit or loss.

2.10 *Impairment of financial assets*

The Company assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

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

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

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

2.10 ***Impairment of financial assets (cont'd)***

(a) *Financial assets carried at amortised cost (cont'd)*

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

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

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

(b) *Financial assets carried at cost*

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) *AFS financial assets*

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

If an AFS financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit and loss account, is transferred from other comprehensive income and recognised in profit and loss account. Reversals of impairment losses in respect of equity instruments are not recognised in profit and loss account; increase in their fair value after impairment are recognised directly in other comprehensive income.

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

2.10 *Impairment of financial assets (cont'd)*

(c) *AFS financial assets (cont'd)*

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit and loss account. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit and loss account, the impairment loss is reversed in profit and loss account.

2.11 *Cash and cash equivalents*

Cash and cash equivalents comprise cash in banks and fixed deposits, which are subject to an insignificant risk of changes in value.

2.12 *Share capital*

Proceeds from issuance of ordinary shares are recognised as share capital in equity.

2.13 *Financial liabilities*

Financial liabilities, within the scope of FRS 39, are recognised in the statement of financial position when, and only when, the Company become 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 FVTPL.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. During the financial period and as at the reporting date, the Company did not classify any of its financial liabilities at FVTPL.

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

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

2.13 ***Financial liabilities (cont'd)***

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.

2.14 ***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 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 provision for adverse deviation 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. Summary of significant accounting policies (cont'd)

2.15 *Insurance and other payables*

Liabilities for trade and other amounts payable, including amounts due to related parties, are initially recorded at fair value and subsequently measured at amortised cost using the effective interest rate method. The amounts are unsecured, interest-free and normally settled on 30-90 day terms.

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

2.16 *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.

2.17 *Revenue recognition*

(a) *Premium income*

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 premiums are recognised on due dates. At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured.

Outward reinsurance premiums are recognised in the same financial period as the original policies to which the reinsurance relates.

(b) *Investment income*

Interest income is recognised using the effective interest method. Profits or losses on disposal of investments are taken to profit and loss account.

(c) *Net fair value gains or losses*

Financial assets at fair value through profit or loss are re-measured at each calendar month and the changes in the fair value are taken to the profit or loss.

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

2.18 *Benefits and claims expenses*

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 claims payable on the due dates; and
- Death, surrender and other benefits without due dates are treated as 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 period as the original claims are recognised.

2.19 *Fees and commission expenses*

Gross commission, 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.

2.20 *Management and other expenses*

Management and other expenses are recognized in the statement of comprehensive income as incurred.

2.21 *Employee benefits*

(a) *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.

(b) *Employees' leave entitlement*

Employees' entitlement to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to end of the reporting period.

2.22 *Reinsurance*

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 which meet the definition of insurance contracts are classified as reinsurance contracts held. Reinsurance premium are recognised as an expense as they become payable and are shown after deduction of reinsurance commission. Claims recoverable are recognised in the profit or loss in accordance with the terms of the reinsurance contract.

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

2.23 ***Taxes***

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

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

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at end of each reporting period.

Deferred tax relating to items recognised outside profit and loss account is recognised outside profit and loss account. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

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

2.24 *Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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

2.25 *Functional and foreign currency*

(a) *Functional currency*

The financial statements of the Company are presented in Singapore Dollars, which is the functional currency of the Company, as it best reflects the economic substance of the underlying events and circumstances relevant to the Company.

(b) *Foreign currency transactions*

Transactions arising in foreign currencies during the year are converted to Singapore Dollars at rates closely approximating those ruling at transaction dates. Foreign currency denominated monetary assets and liabilities are translated into Singapore Dollars at exchange rates ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences arising from conversion are included in profit and loss account.

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

2.26 *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

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:

(a) ***Impairment of AFS Financial Assets***

Significant judgement is required to assess impairment for AFS 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.

(b) ***Assumptions underlying valuation of insurance contract liabilities***

Life insurance contract liabilities are determined in accordance with the RBC Framework. All life insurance contract liabilities are valued using a prospective actuarial valuation based on the sum of the present value of future benefits and expenses less future gross considerations arising from the policies discounted at the appropriate risk discount rate. This method is known as the gross premium valuation method.

The main assumptions used for life insurance business relate to mortality, morbidity, longevity, expenses, withdrawal rates and discount rates. These estimates, adjusted when appropriate to reflect the Company's unique risk exposures, provide the basis for the valuation of future policy benefits payable.

4. Property and equipment

	Furniture, fittings, equipment and renovations SGD'000	Computers and peripherals 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

5. Intangible assets

	Computer software SGD'000
Cost	
At 26 November 2013 (date of incorporation)	–
Additions	16
At 31 December 2014	16
Accumulated amortisation	
At 26 November 2013 (date of incorporation)	–
Charge for the period	3
At 31 December 2014	3
Net book value	
At 31 December 2014	13

The intangible assets pertain to computer software purchased from third party.

6. Prepayments and other assets

	2014 SGD'000
Prepaid expenses	266
Rental and other deposits	38
	304

7. Investments

	Financial assets at FVTPL SGD'000	AFS financial assets SGD'000	Total SGD'000
Debt securities:			
Government debt securities	400	–	400
Corporate debt securities	3,323	–	3,323
Equity securities	–	300	300
	3,723	300	4,023

Movement during the financial period:

	Financial assets at FVTPL SGD'000	AFS financial assets SGD'000	Total SGD'000
At 26 November 2013 (date of incorporation)	–	–	–
Additions	3,744	301	4,045
Fair value loss	(21)	(1)	(22)
At 31 December 2014	3,723	300	4,023

8. Insurance and other receivables

	2014 SGD'000
Premiums due and uncollected	54
Accrued interest income on:	
Debt securities	60
Cash and cash equivalents	1
	115

9. Cash and cash equivalents

	2014 SGD'000
Cash and bank balances	14,426
Short term deposits	16,134
	30,560

Cash in banks pertains to cash deposited to non-interest bearing checking bank accounts. Short term deposits are made for varying periods averaging between one day and three months depending on the immediate cash requirements of the Company and earn interests at the respective short term deposit rates ranging from 0.05% to 0.60% p.a.

Cash and cash equivalents invested with MBB, a related party, amounted to $15,760,657 as at 31 December 2014.

10. Share capital

	Number of shares	Amount SGD'000
Issued and paid-up ordinary shares:		
At 26 November 2013 (date of incorporation)	–	–
Ordinary shares issued	25,000,000	25,000
At 31 December 2014	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.

11. Insurance contract liabilities

	2014 SGD'000
Insurance contract liabilities as at 26 November 2013 (date of incorporation)	–
Movement during the period for insurance contract liabilities	12,061
Movement during the period for AFS reserve	(1)
Insurance contract liabilities as at 31 December 2014	12,060

Insurance contract liabilities at 31 December 2014 comprised the following:

	2014 SGD'000
Contracts with DPF	11,899
AFS reserve for contracts with DPF	(1)
Contracts without DPF	162
	12,060

Insurance contract liabilities of contracts without DPF and contracts with DPF during the financial period are analysed as follows:

	2014 SGD'000
Contracts with DPF	
Net contracts with DPF as at 26 November 2013 (date of incorporation)	–
Valuation Premiums received:	
- Inforce regular premium	–
- New business reserve increase	11,899
Net contracts with DPF as at 31 December 2014	11,899
AFS reserve for contracts with DPF	
Net contracts with DPF as at 26 November 2013 (date of incorporation)	–
Changes in AFS reserve	(1)
AFS reserve for contracts with DPF as at 31 December 2014	(1)
Contracts without DPF	
At 26 November 2013 (date of incorporation)	–
Valuation Premiums received	
- Inforce regular premium	–
- New business reserve increase	162
Net contracts without DPF as at 31 December 2014	162

12. Taxation

	2014 SGD'000
Current income tax	–

Deferred tax liabilities comprised the following:

	2014 SGD'000
Future distributable surplus from insurance contracts with DPF	1,070

Movement in deferred tax liabilities is as follows:

	2014 SGD'000
At 26 November 2013 (date of incorporation)	–
Charged to profit or loss	1,070
At 31 December 2014	1,070

The reconciliation between tax expense and the product of the accounting profit multiplied by the applicable corporate tax rate for the financial period from 26 November 2013 (date of incorporation) to 31 December 2014 is as follows:

	2014 SGD'000
Loss before tax attributable to shareholder	(8,425)
Singapore statutory tax rate	17%
Tax calculated at Singapore statutory tax rate	(1,432)
Adjustments:	
Non-deductible expenses	113
Deferred tax assets not recognised	1,137
Tax on future distributable surplus from insurance contracts with DPF	182
Current income tax	–

The Company has unutilised tax losses of approximately $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 of the tax authorities and compliance with certain provisions of the tax legislation.

13. Insurance and other payables

	2014 SGD'000
Insurance payables	
Commissions payable	847
Premium suspense	306
	1,153
Other payables	
Unsettled trades	3,703
Amounts due to related parties	2,471
Accrued management expenses	2,339
Provision for staff bonus	653
Other sundry creditors	381
	9,547
Total insurance and other payables	10,700

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.

14. Net premiums

	2014 SGD'000
Gross written premiums	
Contracts with DPF	22,332
Contracts without DPF	325
	22,657
Reinsurance premiums	
Contracts with DPF	1
Contracts without DPF	–
	1
Net premiums	22,656

15. Investment and other income

	2014 SGD'000
Interest income	21
Other income	2
	23

16. Employee benefit expenses

	2014 SGD'000
Wages, salaries, CPF and bonus	3,966
Other benefits	714
	4,680

17. Management expenses

	2014 SGD'000
Professional fees	2,141
Rent	679
Office facilities expenses	472
Advertising and promotion	2,814
Electronic data processing expenses	53
Utilities, assessment and maintenance	55
Training expenses	22
Entertainment	12
Transportation and travel	137
Bank charges	86
Miscellaneous	577
	7,048

18. Significant related party transactions and balances disclosures

(a) ***Transactions with related company***

The Company has the following significant related party transactions with its related company and the effects of these transactions on the basis determined between these parties reflected in the financial statements as below:

	2014 SGD'000
Income/(expenses):	
Interest income on short term deposits	19
Commission expenses	4,384
Recharges from related party	35

The balances of transactions arising from related parties as at 31 December 2014 are disclosed under Notes 9 and 13. During the financial period, the Company has shared service facilities with Etiqa Insurance Berhad Singapore Branch (the "Branch"), for which it has been agreed that there was no recharges between the two parties.

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

	2014 SGD'000
Short-term employee benefits	358

19. Contingencies and commitments

Operating lease and other commitments

The Company has entered into lease agreements covering residential units. The lease has a term of a year with renewal option but no escalation clauses included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

In addition, the Company has other commitments through a contract with an external service provider to provide certain information technology services.

Future minimum lease payments payable under non-cancellable operating leases and other commitments as at 31 December are as follows:

	2014 SGD'000
Not later than 1 year	841
Later than 1 year but not later than 5 years	1,527
	2,368

Minimum lease payments recognised as an expense in profit or loss for the financial period ended 31 December 2014 amounted to $862,239.

20. 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) *Corporate governance framework*

The Company has established an enterprise risk management 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.

The enterprise risk management 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.

20. Risk management framework (cont'd)

(b) *Corporate governance framework (cont'd)*

(iii) *Strong risk culture*

The enterprise risk management 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 endorsed the Company's enterprise risk management framework and has overall responsibility for overseeing the Company's risk taking activities and risk management policies. The Board has constituted an Investment Committee that oversees the investments under the shareholder's and life funds.

(c) *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.

Reinsurance is placed to minimise certain insurance risk within the established risk parameters. Risks associated with reinsurance companies are the counterparty risk of reinsurers failing to honour their obligations. Claims processes are defined by approval authority as part of the control in place on financial exposure.

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

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

	Gross SGD'000	**Reinsurance** SGD'000	**Net** SGD'000
Endowment	10,920	2	10,917
Whole life	1,211	68	1,143
Total	12,130	70	12,060

20. Risk management framework (cont'd)

(c) ***Insurance risk (cont'd)***

(ii) *Key assumptions*

Material judgement is required in determining the insurance liabilities and in the choice of assumptions. Assumptions in use are based on industry experiences, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated 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:

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 of the life fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes.

Mortality and morbidity rates

Mortality and morbidity rates represent the expected claims experience of the Company. The Company bases mortality and morbidity on industry and reinsurers' experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics and target markets.

Lapse and surrender rates

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

Expenses

Expense assumptions represent the expected amount that will be spent on the business. Assumptions on future expenses are at best estimate after taking into consideration current expense levels and the expected expense inflation.

20. Risk management framework (cont'd)

(c) *Insurance risk (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, and profit before tax.

The correlation of assumptions will have a significant effect in determining the analysed claims liabilities. To demonstrate the impact, changes in specific assumptions are analysed on an individual basis. 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** SGD'000	**Impact on net liabilities**** SGD'000	**Impact on profit before tax** SGD'000
Discount rate*	- 1	12,203	12,157	(12,157)
Mortality and morbidity rates	+/- 10 (adverse)	179	156	(156)
Lapse and surrender rates	+/- 10 (adverse)	434	432	(432)
Expenses	+ 10	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.

(d) *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.

20. Risk management framework (cont'd)

(e) *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The major classes of financial assets of the Company are bank deposits and short term deposits.

To manage counterparty risks associated with its placement of cash, deposits and investments, counterparty limits are established to ensure that there are no significant credit exposures to a single party and/or group of related parties. At balance sheet 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 balance sheet. At 31 December 2014, 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.

	Investment grade* (AAA to BBB-) SGD'000	**Not rated** SGD'000	**Total** SGD'000
Financial assets at FVTPL:			
Government debt securities	400	–	400
Corporate debt securities	3,323	–	3,323
AFS financial assets:			
Equity securities	300	–	300
Insurance and other receivables	–	115	115
Cash and cash equivalents	30,560	–	30,560
	34,583	115	34,698

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

Financial assets that are neither past due nor impaired

Insurance and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Company. Cash and cash equivalents and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

20. Risk management framework (cont'd)

(f) *Liquidity risk*

Liquidity risk is the risk that the Company may not be able to meet its short-term obligations. 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.

The tables below summarise the maturity profile of the Company's financial assets liabilities based on the remaining period from the balance sheet date to the contractual maturity or expected repayment date.

	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
Financial assets					
Financial assets at FVTPL:					
Government debt securities	–	–	400	–	400
Corporate debt securities	–	–	748	2,575	3,323
AFS financial assets:					
Equity securities	300	–	–	–	300
Insurance and other receivables	–	115	–	–	115
Cash and cash equivalents	14,426	16,134	–	–	30,560
Total financial assets	14,726	16,249	1,148	2,575	34,698
Financial liabilities					
Insurance contract liabilities	–	–	–	12,060	12,060
Trade and other payables	–	10,700	–	–	10,700
Total financial liabilities	–	10,700	–	12,060	22,760

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

20. Risk management framework (cont'd)

(g) ***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) *Fair value interest rate risk*

Fair value 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.

There is no significant effect on profit after tax arising from fair value interest rate risk as all the debt securities are held in the participating fund where the risks are borne by the policyholders.

(ii) *Foreign exchange rate risks*

Foreign exchange rate 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 all transactions are denominated in Singapore Dollar.

(iii) *Equity price risks*

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 AFS 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.

There is no significant effect on profit after tax arising from equity price risk as all the equities are held in the participating fund where the risks are borne by the policyholders.

21. 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
Financial assets at FVTPL				
Debt securities:				
Government securities	400	–	–	400
Corporate securities	3,323	–	–	3,323
AFS financial assets				
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 period, 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.

21. 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.

(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 cash equivalents and trade and other payables are reasonable approximation of fair values due to their short-term nature.

22. 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 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 2014.

23. Significant event

Transfer of insurance business from the Branch to the Company

MAHB is in the midst of transferring its existing general insurance business under the Branch to the Company via a scheme of transfer. There is intention to surrender the Branch's general insurance license upon completion of the scheme of transfer.

Bank Negara Malaysia ("BNM"), Malaysia's insurance regulator, had through its letter dated 27 August 2013 approved the proposed transfer of general Insurance business of the Branch to the Company.

On 17 October 2014, MAS had approved the proposed transfer of general insurance business of the Branch under section 49FB of the Insurance Act (Cap 142).

The approval from the High Court of Singapore for transfer of general insurance business to the Company has been obtained on 27 January 2015. The scheme of transfer will take place on 1 April 2015.

24. Comparative figures

The financial statements cover the financial period from 26 November 2013 (date of incorporation) to 31 December 2014. These being the first set of financial statements, there are no comparative figures.

25. Authorisation of financial statements

The financial statements for financial period from 26 November 2013 (date of incorporation) to 31 December 2014 were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 February 2015.

Etiqa Insurance Pte. Ltd.

Co. Reg. No. 201331905K

SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2014

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

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 2014. For further information (otherwise stated), please refer to the annual audited financial statements for the period ended 31 December 2014.

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 period from 26 November 2013 to 31 December 2014 consists of underwriting life insurance business. The major types of life insurance written by the Company include endowment and whole life 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 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.

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 Board has constituted an Investment Committee that oversees the investments under the shareholder's and life funds

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.

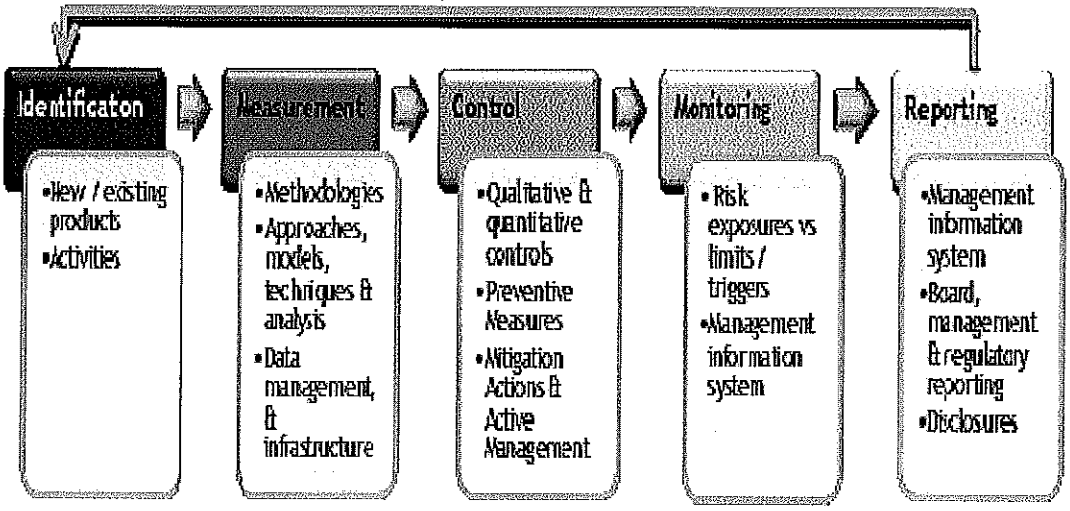

Diagram 2

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.

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.

Risk limits on exposure in different asset classes and concentration by asset classes and issuers are set and monitored to ensure the Company's financial risk exposures are within the risk tolerance in order to keep potential losses to within 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 table below shows the concentration of actuarial liabilities by type of contract.

	Gross SGD'000	**Reinsurance** SGD'000	**Net** SGD'000
Endowment	10,920	2	10,917
Whole life	1,211	68	1,143
Total	12,130	70	12,060

(ii) *Key assumptions*

Material judgement is required in determining the insurance liabilities and in the choice of assumptions. Assumptions in use are based on industry experiences, external market indices and benchmarks which reflect current observable market prices and trends. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated 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 of the life fund. The best estimate investment return for participating business is derived from the expected returns of the respective investment classes.

<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 industry and reinsurers' experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics and target markets

Lapse and surrender rates

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

Expenses

Expense assumptions represent the expected amount that will be spent on the business. Assumptions on future expenses are at best estimate after taking into consideration current expense levels and the expected expense inflation.

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.

The correlation of assumptions will have a significant effect in determining the analysed claims liabilities. To demonstrate the impact, changes in specific assumptions are analysed on an individual basis. 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** SGD'000	**Impact on net liabilities**** SGD'000	**Impact on profit before tax** SGD'000
Discount rate*	- 1	12,203	12,157	(12,157)
Mortality and morbidity rates	+/- 10 (adverse)	179	156	(156)
Lapse and surrender rates	+/- 10 (adverse)	434	432	(432)
Expenses	+ 10	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.

Use of Reinsurance

Reinsurance is placed to minimise 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 has a maximum retention limit for any single life insured that is set according to the reinsurance management strategy approved by the Board of Directors.

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 2014. As at 31 December 2014, the Company has a CAR of 639%.

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

As a startup operation, majority of the investment was in cash and fixed deposit as at 31 December 2014. 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).

Claims Statistics

As the Company is a startup operation, no claims statistics are available at this moment.

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.