Listening. Understanding. Delivering.

ANNUAL REPORT 2018

CONTENT

ABOUT US

PRUDENTIAL SINGAPORE, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF UK-BASED PRUDENTIAL PLC, IS ONE OF SINGAPORE'S LEADING LIFE INSURANCE COMPANIES.

We have been serving the financial and protection needs of Singapore's citizens for over 88 years, delivering a suite of product offerings through multiple distribution channels, including our network of more than 5,000 financial consultants. We are one of the market leaders in Protection, Savings and Investment-linked plans, with S$36.7 billion funds under management as at 31 December 2018. In testament to our financial strength, we have an AA-rating from leading credit rating agency Standard & Poor's.


"WE DO **LIFE**"

CEO STATEMENT

STRONG 2018 PERFORMANCE

Prudential Singapore achieved a solid performance in 2018 with New Business Sales growing 5% to S$831 million and Regular Premium Sales rising 3% to S$664 million.

This was driven by an increase in protection sales as we helped more people prepare for life's uncertainties with innovative plans such as **PRU**Triple Protect. It provides protection for 36 critical illnesses up to three times the basic coverage.

Demand for savings plans remained strong, in particular **PRU**Active Saver which offers tailored policy durations and premium payment terms. Customers value the flexibility to save on their own terms, and we intend to embed more of such customisable features into future plans to make financial planning more convenient.

On the medical front, our claims-based pricing approach yielded positive results as claims stabilised for our private **PRU**Shield plans. This approach has also been beneficial to customers who like the fact that they are rewarded with lower premiums when they don't make a claim.

TAPPING NEW GROWTH OPPORTUNITIES

Expanding beyond our mass-market stronghold, we invested in growth opportunities in the underserved high net worth (HNW) and enterprise segments.

We have seen our client base of those who have more than S$5 million in sum assured increase by 10 per cent, since the launch of our dedicated HNW offering, OPUS by Prudential, in April. The advice and service-led offering addresses the unfulfilled wealth protection and transfer needs of the fast-growing HNW population in Singapore.

In the enterprise space, we re-launched our offering for corporates and introduced *Pruworks*, a digital ecosystem of services designed to help small and medium enterprises (SMEs) grow their business and get convenient access to insurance. Since the launch of *Pruworks* in June, we have onboarded more than 200 SME customers.

STRENGTHENING DISTRIBUTION AND PARTNERSHIPS

We continued to focus on growing and strengthening our distribution channels. Our agency expanded to more than 5,000 financial consultants as we continue to offer our growing pool of close to a million customers personalised service and advisory.

Building on the strong foundations of our partnership with United Overseas Bank (UOB), in January 2019 we were pleased to extend our strategic alliance which commenced in 2010 to 2034, giving UOB's customers continued access to our market-leading product suite.

With the formation of our New Partnerships team, we sought out new avenues to bring more value to our customers. In October, we signed a deal with DirectAsia Insurance Singapore which gives our customers access to their travel and motor insurance offerings through our financial consultants. In turn, DirectAsia's customers can access Prudential's suite of plans through our digital platform and benefit from the advisory capabilities of our financial consultants.

PUTTING OUR CUSTOMERS AT THE CENTRE

In developing our products and solutions, we put the needs of our customers at the forefront. In 2018, we continued to invest in the people and technology that would enable us to provide an even more seamless servicing and purchasing experience for our customers. This includes investments in areas such as data analytics to understand the needs of our customers better and in user experience so interacting with us and purchasing insurance becomes more convenient. We are also partnering with FinTechs, InsurTechs and HealthTechs to improve process efficiencies and develop value-added services for our customers.

Reflecting our solid performance, Prudential continues to be rated among the strongest insurers in Singapore with our 'AA-' rating from Standard & Poor's.

REIMAGINING THE FUTURE OF INSURANCE

In tandem with our focus on reinforcing the strengths of our core business, we developed new capabilities that would take us beyond insurance in line with our purpose of 'Innovating to help everyone live well'.

As we reimagined the future of our business, one of the key trends shaping our thinking was the rising longevity in Singapore. Singaporeans today already live up to an average of 83 years of age, and this number is edging towards 100 as quality of life improves.

Living to 100 requires us to be more proactive in ensuring the key facets of our well-being – financial stability, health and wellness, fulfilling work and supportive relationships – are sufficiently able to keep pace with our increasing longevity. Many are unprepared for an extended lifespan. In our Ready for 100 survey more than half of the respondents said they were unprepared to live to 100 from a financial or health perspective.

As a major life insurer in Singapore, the well-being of our customers, employees, financial consultants and the community are important to us and we are committed to playing our part to improve the lives of these stakeholders.

WEALTHY FOR 100:

Building our customers' financial health is a key focus for Prudential, and has been so for the past 88 years we have been operating in Singapore. We will continue to offer innovative insurance plans, advise our customers in planning for the future, and help them build a nest egg for their extended lifespans.

HEALTHY FOR 100:

To help them extend their healthspans, we delved deeper into the development of preventative healthcare solutions to provide customers with the ability to proactively manage their health. Through a collaboration with Babylon Health, a UK-based technology company, and other partners, we began work on an AI-based solution that will help our customers prevent, protect against, and postpone chronic diseases and long-term ailments. For our employees, we launched the Pruedge app which rewards our employees for staying healthy through various fitness challenges.

SKILLED FOR 100:

Financial stability and health are closely linked to the ability to have fulfilling work opportunities. Recognising this, in October 2018 we removed the retirement age for all our employees, allowing them to work beyond the statutory retirement age of 62. Our belief is that as long as our employees can continue to perform their jobs well, age should not be an inhibitor to them remaining in the company. We want our employees of all ages to know that they can have a long and meaningful career in Prudential.

In addition, we continue to encourage the spirit of life-long learning among our employees and financial consultants, to help them future-proof their careers. Our training curriculum is designed to ensure our people are ready to serve the next generation of customers.

HAPPY FOR 100:

We continue to strengthen the social fabric of our community by giving back to causes we believe in. We are in our 10th year of support for the Boys Brigade's Share-A-Gift programme which benefits needy families. This year, we also partnered the Tsao Foundation to touch the lives of vulnerable seniors and to help promote social inclusion. In addition, we worked with the South East Community Development Council and Changi General Hospital to ideate solutions aimed at tackling loneliness among seniors. In doing so, we hope to build a more caring and closely-knit community for all.

ACKNOWLEDGEMENTS

I would like to extend my thanks to the Board, my leadership team, agency leaders and financial consultants, bank partners and colleagues who contributed to our strong performance in 2018, and to our customers and shareholders for your confidence in us.

I look forward to working with you to continue transforming and growing our business in the years ahead, and in helping Singaporeans to live well for longer.

Thank you.

Wilfred Blackburn
Chief Executive Officer


" WE DO **MONEY** "

FINANCIAL HIGHLIGHTS

ANNUAL PREMIUM EQUIVALENT NEW BUSINESS PREMIUM

2018	S$831m
2017	S$795m
2016	S$656m

TOTAL FUNDS UNDER MANAGEMENT

2018	S$36.7b
2017	S$36.3b
2016	S$31.5b

CAPITAL ADEQUACY RATIO

2018	206%
2017	210%
2016	218%

OUR BUSINESS

HELPING SINGAPOREANS LIVE WELL FOR LONGER

Prudential Singapore is a leading life insurer in Singapore that has been serving the financial and protection needs of its citizens for more than 88 years. With rising longevity in Singapore, we are putting a greater focus on helping our customers and the community prepare for every stage of their lives, so that they can age well.

Through our 5,000 financial consultants and bancassurance partners, we aim to meet Singaporeans' healthcare and financial planning needs, providing a comprehensive suite of protection, medical and savings solutions and consistent delivery of quality service and advice.

For our close to one million customers, we are a trusted partner in some of their biggest life decisions – how to protect their families against life's uncertainties, save enough for their children's education and plan for retirement.

Beyond insurance, we also want to be a partner to them throughout their lifespans, to help them prepare for rising longevity and keep body and mind fit so they may enjoy their golden years.

As a major insurer in Singapore, we contribute to the stability of our financial system and economy. And we continue to invest in our 1200-strong workforce to ensure that they are future-fit and ready to serve the needs of our customers.

We are committed to making a positive impact in our community through long-term relationships with charity partners and by investing in programmes that help young people plan for their financial future.

Underpinning our efforts is our AA- rating awarded by Standard & Poor's which is testament to our financial strength and stability to support our various stakeholders through economic cycles.

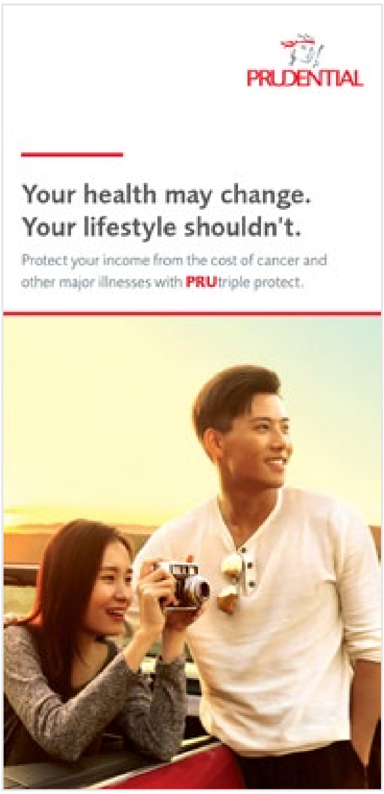
In 2018, we continued to bring leading solutions to the market using a customer-centric approach, enabled by technology, and driven by our desire to innovate to help Singaporeans live well for longer.


"WE DO **LOVE**"

CUSTOMER

BRIDGING THE PROTECTION AND RETIREMENT GAP

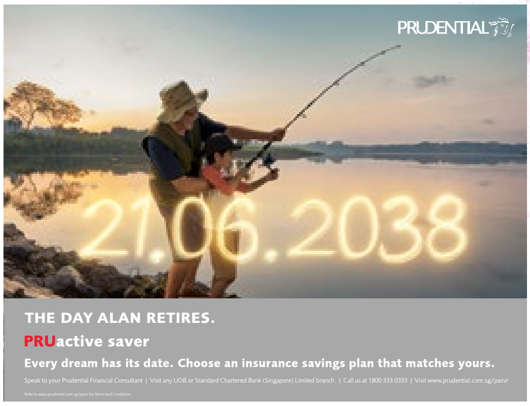
To help our customers address their protection and retirement gaps, we launched two innovative plans in 2018 – **PRU**Triple Protect and **PRU**Active Saver.



PRUTriple Protect is a standalone insurance term product developed for Singaporeans who are not sufficiently protected against the financial impact of critical illnesses. With **PRU**Triple Protect, a customer can receive protection up to three times the basic coverage. To ensure one is prepared for handling multiple illnesses, the plan has a feature that restores the basic coverage to the original amount after a claim is made. If customers are diagnosed with a different critical illness 12 months after the last claim, they remain covered under the plan until three times of the plan's basic coverage has been utilised. **PRU**Triple Protect also offers an optional rider, Early Protector, which guards against pre-critical stages of critical illnesses. With this additional rider, the product provides comprehensive coverage for up to 106 medical conditions.

*To address the critical illness protection gap in Singapore, we launched **PRU**Triple Protect, an innovative plan that offers financial protection against critical illnesses including cancer.*

PRUActive Saver is an innovative savings plan that allows our customers to choose how much they want to save each month, how long they wish to pay their premiums for, and when they would like to receive their policy maturity payout. With the increasing demand from customers for more flexibility and autonomy in how they go about saving for their future, **PRU**Active Saver empowers our customers to decide how they want to achieve their aspirations.



PRUActive Saver offers flexibility, allowing our customers to decide how they want to achieve their financial aspirations.

REACHING OUT TO UNDERSERVED SEGMENTS

We launched two unique offerings in 2018 to reach out to high net worth (HNW) individuals and small and medium enterprises (SMEs) in Singapore.

The first of these is OPUS by Prudential, our bespoke service for HNW clients. OPUS presents our HNW clients with an exclusive and personalised approach to protecting and preserving their wealth. Whether our clients are considering preserving their estate, growing their wealth, or protecting their business, OPUS's offerings aim to help them meet their goals and achieve the outcomes they desire. We tie up with experts in legal and estate planning, business and tax advisory, and trust services, to provide insights and solutions tailored to our customers' needs and delivered with a personal touch.

OPUS by Prudential is our bespoke advisory service for High Net Worth clients, delivered with a personal touch.

The second offering, *PRUworks*, is our first-of-its-kind digital platform for SMEs. Many SMEs are challenged with retaining good talent and getting access to employee benefits and business services due to their size and limited resources. In a survey conducted by Prudential in 2018, more than 50 per cent of SMEs said they do not have group life insurance while up to 43 per cent do not have group medical insurance. *PRUworks* addresses this challenge faced by SMEs by offering a one-stop digital ecosystem that gives business owners, HR teams and employees easy and convenient access to insurance, employee benefits and business solutions in a seamless digital experience. *PRUworks* onboarded more than 200 SME customers in the second half of 2018, following its launch in June.

Dennis Ng, Head of Enterprise Strategy, spearheaded the development of the PRUworks offering.

BUILDING SUSTAINABLE HEALTHCARE SOLUTIONS

As a major insurer in Singapore, we have a role to play in helping to manage rising medical costs and to ensure that healthcare remains affordable for all over the long term.

We introduced claims-based pricing in 2017 for one of our Integrated Shield Plan riders covering private hospitals. With claims-based pricing, customers are rewarded with lower premiums when they do not make a claim. By doing so, we hope to encourage our customers to live healthily and make more prudent use of medical services, as we cope with the demands of rising longevity in Singapore. In 2018, we saw claims stabilising for our private Shield plans.

FROM INSURANCE TO WELLNESS

At Prudential we want to partner our customers in their wellness journey.

In line with our purpose of innovating to help everyone live well, we are exploring technologies and solutions that will support our customers and the community in preventing, protecting against, and postponing chronic diseases and long-term ailments.

We announced an exclusive regional partnership with UK-based technology company Babylon Health to offer an AI-powered health risk assessment and symptoms checker tool which empowers users to manage their health proactively. Work is underway to launch this wellness solution in Singapore.

Helping people stay healthy benefits everyone – our customers have more meaningful years with their families, and it also strengthens our ability to continue providing affordable health coverage over the long term.

IMPROVING THE CUSTOMER EXPERIENCE

Following the move to our PRU WorkPLAYce at Marina One at the end of 2017, we officially opened a new Customer Service Centre (CSC) in March 2018. To make our customers feel at home, the CSC has been designed to have a comfortable relaxed atmosphere with lounge chairs, wooden furniture, and an open, interactive area. We made insurance more seamless with the use of technology, by introducing an SMS queue system for our walk-in customers, as well as going paperless with frequent transactions and enabling e-signatures via mobile devices. Doing so has enabled our frontline colleagues to focus on what we do best – providing friendly service, knowledgeable advice and a listening ear to all our customers and visitors.

Our revamped Customer Service Centre at Marina One East Tower, launched in March 2018.

At Prudential, we put our customers at the heart of everything we do. We focus on building long-term relationships based on trust and are committed to delivering fair dealing outcomes. This includes being clear and transparent in all of our interactions with our customers, and providing them with suitable recommendations and quality advice. To ensure that our financial consultants and employees are equipped with the necessary knowledge and skills, we conducted more than 1,600 hours of product and fair dealing training in 2018.

LEVERAGING TECHNOLOGY PARTNERSHIPS FOR INNOVATION

As we innovate for the future, we want to leverage the wider technology community to develop new tools and services that will transform our business beyond insurance.

Through our flagship PRU Fintegrate Partnership programme, we partner FinTech, InsurTech, HealthTech and MedTech startups around the world, with the goal of building an ecosystem of partners to solve business challenges through digital innovation. Now in its second year, we extended the programme to welcome submissions from scale-ups. We have also engaged in strategic partnerships with the Singapore FinTech Association, I4E Limited and the Infocomm Media Development Authority of Singapore's Accreditation@SG programme. Through these platforms, we are co-developing solutions which will address the areas of improving customer engagement and expanding our data analytics capabilities. To reach out to the innovators of tomorrow, we also launched the inaugural PRU Fintegrate Student Edition which garnered over 80 entries from local educational institutions.

Our 2018 PRU Fintegrate programme finalists presenting their innovative ideas at the Singapore FinTech Festival.

As Grand Sponsor of the Singapore FinTech Festival, we are committed to nurturing innovation, creativity and collaboration within the financial and technology communities.

2018 marked the beginning of our five-year Grand Sponsorship commitment to the Singapore FinTech Festival, the largest of its kind in the world with more than 45,000 participants. We strongly support and believe in its spirit of collaboration and co-creation, which brings together financial institutions, established technology firms and FinTech startups to develop new solutions and discover opportunities.

"WE DO
INNOVATION"

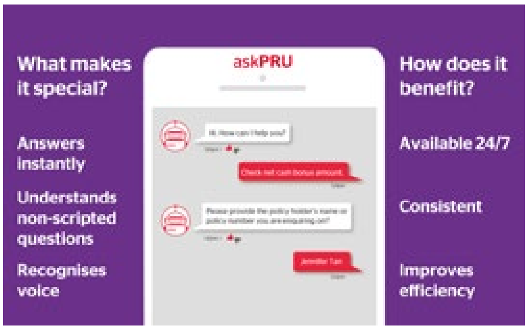
DISTRIBUTION AND PARTNERSHIPS

STRENGTHENING OUR DISTRIBUTION CAPABILITIES

Our multi-channel distribution platform comprises our financial consultants and exclusive bancassurance partners Standard Chartered Bank and United Overseas Bank Group (UOB). In 2018, we expanded our agency network to more than 5,000 financial consultants for the first time in Prudential's history, further cementing our position as Singapore's largest tied agency force. In January 2019, we also renewed our strategic partnership with UOB, extending our alliance which began in 2010 to 2034, and giving UOB's customers continued access to our product suite.

We continue to significantly invest in digital solutions which will empower our distribution channels to create better experiences for customers. For example, we completed the transition to PRUOne Express, an electronic point of sales tool which enables our financial consultants to complete the sales process more efficiently, while on the go. It takes just three seconds to generate an individualised policy illustration making the customer experience simpler and more convenient.

Our AI-powered chatbot, askPRU, is another digital tool we have invested in to improve the service experience. The chatbot provides our financial consultants with real-time information specific to their customers' life insurance plans, allowing them to respond to customer queries faster. This application garnered an award in the Innovations and Emerging Technologies category at the 2018 Asia Insurance Technology Awards.



Our award-winning askPRU chatbot provides our financial consultants with real-time information on customers' life insurance plans, allowing them to respond to customer queries faster.

CULTIVATING PARTNERSHIPS FOR SUCCESS

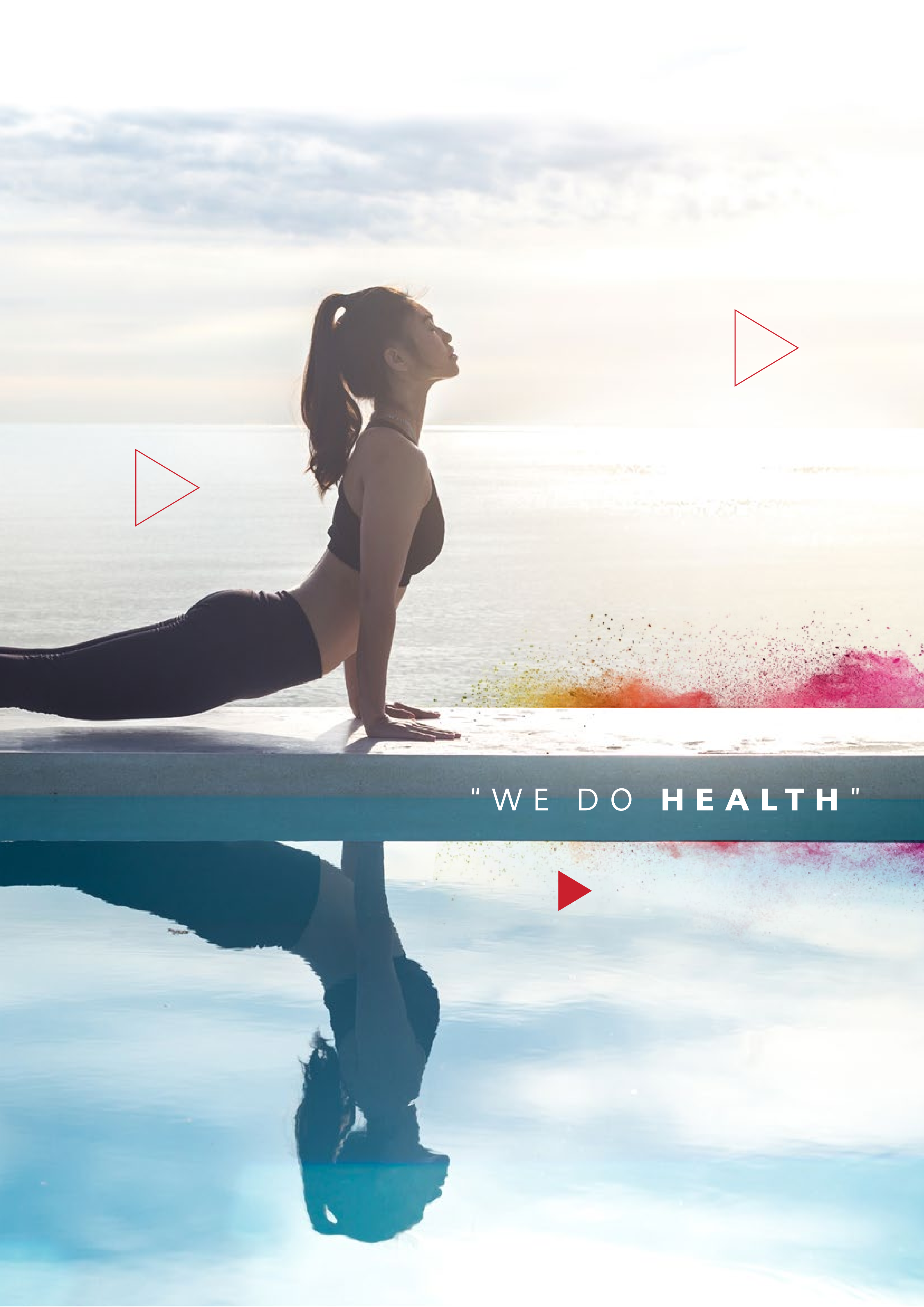
We are committed to leveraging technology and new partnerships to generate more opportunities for our business.

In October 2018, we announced an exclusive strategic partnership with DirectAsia, one of Singapore's leading online auto and travel insurers. This collaboration will help us reach out to the growing segment of digitally-savvy consumers in Singapore.

Under this partnership, DirectAsia's customers will gain access to Prudential's suite of protection, savings and health insurance plans through our digital platform, and benefit from the advisory capabilities of our financial consultants. In turn, our customers will have access to DirectAsia's travel and motor insurance offerings through our financial consultants.

In a similar vein, we have also announced a partnership with local electricity retailer, Keppel Electric, to leverage each other's strengths and deliver greater value to customers.

Prudential's exclusive strategic partnership with DirectAsia will allow us to reach out to Singapore's growing segment of digitally savvy consumers.


"WE DO HEALTH"

PEOPLE

BUILDING A FUTURE-READY WORKFORCE TO ACCELERATE OUR GROWTH

In 2018, we grew our workforce by almost 22 per cent to support our strategic initiatives. We expanded our talent pool in key growth areas, including developing our high net worth and enterprise business segments, and investments and bancassurance distributions teams. We also strengthened our digital capabilities in analytics, user experience and technology.

We believe that having people with different experiences and skillsets drives innovation and performance. This is reflected in our 1,200-strong workforce of 26 nationalities. Women make up 61 per cent of our company and hold 45 per cent of our leadership positions.

EMBEDDING A CULTURE OF INNOVATION

Throughout 2018, there was a strong emphasis on building a culture that would enable our transformation into an insurer of the future. This process was guided by our purpose – Innovating to help everyone live well – and our five core values –Innovation, Collaboration, Accountability, Empowerment and Trust. These serve as the compass for the actions and decisions we take as an organisation in service of our customers, partners and community. Company-wide 'Live with Purpose' workshops helped employees to contextualise the values and desired behaviours, and were reinforced with regular activities.

For instance, to encourage an agile and innovative mindset we focused on capability building in Design Thinking, a solutions-based approach to solving problems. In October, more than 700 employees participated in a mass Design Thinking workshop and generated ideas on helping Singaporeans to get ready for rising longevity and to plan for their golden years.

Prudential's Design Thinking programme encourages employees to create new solutions and to innovate.

To continue meeting the evolving needs of our customers, upskilling and lifelong learning remain a priority. In 2018, employees underwent 16,480 hours of training, almost 10 per cent more than the year before. We also partnered SkillsFuture Singapore to drive career ownership, continuous learning and professional development. More than a third of our employees attended SkillsFutureAdvice workshops in 2018.

To strengthen our people's digital knowledge, Prudential became the first insurer to partner Ngee Ann Polytechnic on an online course 'AI in Finance'. Over 100 employees signed up for the pilot programme. In addition, more than 500 employees and financial consultants picked up new skills at our annual Learners' Week which covered topics such as innovation and data analytics.

To enable the learning of new skills on the job and to help further their career aspirations, we encourage employees to participate in our internal mobility programme. In 2018, 14 per cent of our workforce took on new roles in the organisation. Employees who want to make a career switch to the social service sector can also tap on our industry-first Career Switch Programme. Through the programme, employees can choose to take on corporate roles in Voluntary Welfare Organisations (VWOs) for a year where they put their experience acquired at Prudential to use in the community. Employees are supported by Prudential on full employment terms while working with the VWO.

Prudential's Learners' Week encourages employees to take charge of their learning and development.

Employees explore SkillsFuture courses together with Wilfred Blackburn, CEO, Prudential Singapore and Ng Cher Pong, CEO, SkillsFuture Singapore.

HELPING OUR PEOPLE LIVE WELL

As we innovate to help everyone live well, we want to ensure our people remain engaged, productive, and healthy so they too can live well for longer.

A milestone in this regard was our decision to remove the retirement age for our employees in October 2018. This gives them the opportunity to enjoy extended careers and the option to work beyond the statutory retirement age of 62. We recognised that retirement at 62 may no longer make sense for an ageing population that has an average lifespan of 83 years and which is edging towards 100. With this in mind, we decided to scrap the retirement age so that our employees can continue to work in Prudential for as long as they are willing and able to perform their jobs well.

To promote healthy lifestyles, we offered the Pruedge app which rewards employees for staying healthy through various activities including lowering their waist-hip-ratio, a key indicator of physical health. The Pruedge app connects seamlessly with mobile devices and wearables, and enables users to create a 3D virtual avatar of themselves by using their mobile phone camera to capture body measurements.

We also introduced PRU Sports Day to encourage employees to explore different ways to keep fit. Close to 70 sports and recreational programmes were organised including fitness classes and wellness workshops.

In recognition of our efforts to create an innovative and supportive workplace environment Prudential was awarded the Bronze for Excellence in Workplace Culture at the HR Excellence Awards 2018.

Employees having fun and getting fit at Prudential's Sports Day.

Our new employer branding campaign "Create Something New" attracts next-generation talent and leaders with an innovative mindset to blaze new trails with us.


"WE DO **GOOD**"

COMMUNITY

AT THE HEART OF OUR COMMUNITY

Our employees and financial consultants give back to the community through various initiatives.

To make volunteering more accessible for our employees, we launched an app, PruVols, which allows users to easily keep track of and register for Prudential's calendar of community engagement activities. Over the course of 2018, our employees and financial consultants contributed more than 4,500 hours of time in reaching out to over 6,000 beneficiaries. All our employees are given five days of volunteer leave to allow them to volunteer for the charities and causes they support.

2018 marked a decade of our commitment to the Boys' Brigade's Share-A-Gift programme (BBSG). This year, we donated and delivered more than 3,000 healthier food hampers to needy families across Singapore. We continue to support the BBSG via a S$2 million pledge, which will be disbursed to their programmes over 10 years until 2027.

2018 marks the 10th year of our commitment to the Boys' Brigade's Share-A-Gift programme.

This year, Prudential worked with the Tsao Foundation to organise activities to promote social inclusion among vulnerable seniors.

Recognising the challenges posed by Singapore's ageing population, we worked with the Tsao Foundation to organise a series of engagement activities for vulnerable seniors. These included group outings and craft workshops to promote social inclusion among seniors who live alone. The programme touched the lives of 40 vulnerable seniors and also raised S$55,000 for the Tsao Foundation.

Children from The Business Times Budding Artists Fund receiving their Cha-Ching certificates.

This year, nearly 2,000 primary school students in Singapore benefited from our award-winning financial literacy programme, Cha-Ching, a region-wide initiative developed by the Prudence Foundation. Through the programme, we help primary school children in Singapore learn basic money management concepts of Earn, Save, Spend and Donate. As part of this initiative, we also signed a year-long partnership with The Business Times Budding Artists Fund to incorporate the Cha-Ching dance as part of their curriculum, to impart financial literacy skills in a fun way to kids, from kids.

Under our Share-as-One programme, we have donated more than S$40,000 to the Community Chest of Singapore (ComChest), through a combination of monthly employee contributions and the company's dollar-for-dollar matching. In conjunction with the National Volunteer & Philanthropy Centre's (NVPC) Giving Week, we also raised more than S$8,000 through a week-long programme of activities, to go towards health, education and environment-related causes. In recognition of our community engagement efforts, we were conferred the Charity Bronze Award by the ComChest, as well as named a Champion of Good by the NVPC.

In recognition of our community engagement efforts, Prudential received the Charity Bronze Award from ComChest, and was named a Champion of Good by the NVPC.

ENCOURAGING A SUSTAINABLE FUTURE

In 2018, our corporate citizenship efforts extended to environmental sustainability. Prudential ran a campaign to educate employees on the importance of recycling and proper waste disposal. Under the Prudential for Climate Action programme, close to 700 employees pledged to take simple actions and everyday steps that would help to save the environment and resources around us. To reduce wastage and be more environmentally-friendly, Prudential's office at Marina One stopped the use of single-use paper cups and replaced them with reusable cups.

An employee donates items for e-waste recycling as part of Prudential's sustainability efforts.

BUILDING STRONG RELATIONSHIPS

To support our customers and the community in building strong relationships with their families and loved ones, we were a returning title sponsor of the Prudential Marina Bay Carnival themed 'Making Memories'. Through our community outreach programme, we invited more than 100 children and senior citizens to tour the carnival fairgrounds and participate in the wide range of games and rides for visitors of all ages.

In line with our mission to help the Singapore community be 'ready for 100', together with the South East Community Development Council (CDC) and Changi General Hospital (CGH), we embarked on a workshop to tackle the issue of loneliness among seniors. We used Design Thinking methodologies to ideate creative solutions during this workshop to get seniors more involved in the community and to help younger and older generations to connect more deeply. This project will continue to be developed in 2019.

To help the community get Ready for 100, Prudential partnered the South East CDC and CGH on a design thinking workshop tackling the issue of senior loneliness.

DIRECTORS' PROFILE

LILIAN LUP-YIN NG

Chairman

Lilian Ng is Chief Executive, Insurance, of Prudential Corporation Asia (PCA) and a member of its Executive Board. She was appointed as the Chairman of the Board of Directors of Prudential Singapore in August 2015.

She has overall responsibility for Prudential's network of life insurance operations across 12 markets in Asia: Cambodia, China, Hong Kong, India, Indonesia, Laos, Malaysia, Philippines, Singapore, Taiwan, Thailand and Vietnam. Lilian is responsible for driving regional strategies and strengthening capabilities across its insurance business units.

She has been part of the Prudential family in Asia for over 20 years and has held a range of leadership roles across the company, both in a local business and at PCA, including Chief Operating Officer, Insurance for six years.

Lillian is a Fellow of the Institute of Actuaries of Australia.

WILFRED BLACKBURN

Executive Director and Chief Executive Officer

Wilfred Blackburn has been Executive Director of the Board and Chief Executive Officer (CEO) of Prudential Singapore since November 2016, and a member of the Board Risk Committee from 1 January 2019.

Wilfred is an industry veteran with close to three decades of diverse life insurance experience, having lived in seven Asian countries over the past 18 years.

Wilfred joined Prudential Corporation Asia in Hong Kong 2012 and initially led new market initiatives. This role included overseeing the launch of Prudential's business operations in Cambodia and the establishment of Prudential's representative office in Myanmar and Laos. In July 2014, Wilfred was appointed as CEO of Prudential Vietnam, and subsequently as Vietnam Country Head, also overseeing the asset management and consumer finance business.

Prior to joining Prudential, Wilfred was with Allianz for over 11 years, where he was CEO of their life insurance joint ventures in China, Thailand and the Philippines and Regional GM, Life & Health Insurance for Asia. Before Allianz, Wilfred worked in the United Kingdom for three life insurers after commencing his career with a firm of consulting actuaries.

Wilfred, a British national, qualified as a Fellow of the Institute of Actuaries (FIA) in 1995. He has an MBA from the University of Bath and a BSc (Mathematics – 1st Class Hons.) from the University of Newcastle upon Tyne (his home town). Wilfred has been a postgraduate student at the City University (now CASS), SAID Business School (Oxford University) and Harvard Business School.

SIR ALAN STANLEY COLLINS KCVO CMG

Non-Executive Director
(Retired on 16 February 2019)

Sir Alan Collins has been a Non-Executive Director of Prudential Singapore since August 2012.

He is also a member of the Audit Committee of Prudential Singapore. Currently, Sir Alan serves as a Non-Executive Director on several company Boards, including JPMorgan American Investment Trust plc and ICICI Bank UK plc.

Sir Alan had a distinguished career in the British diplomatic service holding a number of Ambassador and High Commissioner appointments representing Britain internationally, and was the British High Commissioner to Singapore from 2003 to 2007.

Sir Alan holds a Bachelor of Science (Econ) degree from the London School of Economics and Political Science.

WAN MEI KIT

Non-Executive Director

Wan Mei Kit was appointed as a Non-Executive Director of Prudential Singapore in January 2018. She is the Chairman of the Audit Committee and a member of the Board Risk Committee of Prudential Singapore from 1 January 2019.

Mei Kit is an experienced professional in audit, risk control, governance and compliance roles of leading international banks, with knowledge spanning across Asia Pacific. She began her career in audit with Cooper & Lybrand Public Accountants (now PricewaterhouseCoopers). Since then, Mei Kit has worked in various global financial institutions, including Bank of America as the Regional Auditor, South East Asia and Union Bank of Switzerland as the Head of Internal Audit, Singapore. She held various regional head and leadership roles in the global audit, compliance and operational risk functions within Standard Chartered Bank Singapore from 1989 to 2015. In her most recent corporate role, she was the Regional Head of Audit, ASEAN, at Standard Chartered Bank Singapore from 2011 to 2015.

She is currently a member of the Audit and Risk Committee of the National Kidney Foundation, and a member of the Audit Committee of the Singapore Institute of Directors and the Boys' Brigade of Singapore. Mei Kit is a Fellow of the Association of Chartered Certified Accountants UK and of the Institute of Singapore Chartered Accountants.

Mei Kit is a member of the Singapore Institute of Directors and a Graduate of the Australian Institute of Company Directors. She has completed the executive management programmes at the London Business School, Templeton College (Oxford University) and INSEAD.

PROFESSOR ANNIE KOH

Non-Executive Director

Professor Annie Koh was appointed as a Non-Executive Director of Prudential Singapore in August 2018. She is a member of the Audit Committee and the Board Risk Committee of Prudential Singapore from 1 January 2019.

Prof. Koh possesses a wealth of experience and expertise in education and management in the banking and finance markets. She started her career as Treasury Manager of DBS Bank Singapore in 1976. Since then, she has worked in educational institutions such as the National University of Singapore and the Singapore Management University (SMU). She has held various leadership roles at Lee Kong Chian School of Business at SMU since 2000. Prof. Koh currently serves as Vice President, Business Development, V3 Group Professor of Family Entrepreneurship and Practice Professor of Finance at SMU.

Prof. Koh is a Director of Singapore's Central Provident Fund Board since 2014 and serves on the SkillsFuture HR Sectoral Tripartite Committee and HR Certification Taskforce, Lead Independent Director of Health Management International Ltd (HMI) since 2016. She is a Director of Government Technology Agency of Singapore since 2016, and chairs its Finance and investment Committee. Prof. Koh also chairs the Asian Bond Fund Supervisory Committee of the Monetary Authority of Singapore. In addition, she advises a number of start-up firms such as Stashaway and Staff-on-Demand.

Her educational achievements include Monetary Authority of Singapore Scholar for National University of Singapore BSc in Economics (Hons) and Fulbright Scholar for PHD in International Finance from Stern School of Business, New York University. Prof. Koh is also a recipient of the prestigious Singapore Public Administration Medal (Bronze) in 2010, Singapore Public Administration Medal (Silver) in 2016 and the Adult Education Prism Award in 2017 for her contributions to the education and public sectors.

TEO TEOW HOCK (DANIEL T H TEO)

Non-Executive Director

Daniel Teo was appointed as a Non-Executive Director of Prudential Singapore in October 2018. He is a member of the Audit Committee and Chairman of the Board Risk Committee of Prudential Singapore from 1 January 2019.

Daniel started his banking career at Standard Chartered Bank, Singapore in 1984. From 1989 to 2000, he was Commercial Banking Manager and Operations Manager at the Republic National Bank of New York, Singapore. From 2001 to 2012, he was Regional Chief Operating Officer at ING Asia Private Bank Ltd Singapore (later renamed Bank of Singapore Ltd). In 2012, Daniel joined ABN AMRO Bank NV Singapore and held the roles of Country Operating Officer (COO) and Deputy Country Executive, Singapore and COO Private Banking International Asia and Middle East. He left the bank in September 2016 to focus on serving in non-profit organisations.

Since 2017, he has been a Director and the Chairman of Audit and Risk Management Committee of YR Industries Pte. Ltd. Daniel is also the Chairman of the Board of Directors of Industrial and Services Cooperative Society Ltd, a social cooperative and a non-profit organisation, and a member of the Rehabilitation Committee of the Singapore Corporation of Rehabilitative Enterprises since 2016. He has previously served on the board of Home Nursing Foundation. Since January 2018, Daniel also serves as a Senior Advisor at the Singapore Consultancy Pte Ltd, a new start-up that provides services to financial institutions.

Daniel is an Ordinary Member of the Singapore institute of Directors. From 2014 to 2016, he was an Alternate Council Member at the Association of Banks in Singapore. Professionally, his achievements include the "Leading Individual" award at the 2015 Wealth Briefing Asia Awards. Daniel has a Bachelor of Business Administration degree from National University of Singapore and has completed executive programmes at INSEAD Singapore and IMD Lausanne.

MANAGEMENT EXECUTIVE COMMITTEE

WILFRED BLACKBURN

Chief Executive Officer

Wilfred Blackburn assumed the position of Chief Executive Officer (CEO) of Prudential Singapore with effect from November 2016.

Wilfred is an industry veteran with close to three decades of diverse life insurance experience, having lived in seven Asian countries over the past 18 years.

Wilfred joined Prudential Corporation Asia in Hong Kong 2012 and initially led new market initiatives. This role included overseeing the launch of Prudential's business operations in Cambodia and the establishment of Prudential's representative office in Myanmar and Laos. In July 2014, Wilfred was appointed as CEO of Prudential Vietnam, and subsequently as Vietnam Country Head, also overseeing the asset management and consumer finance business.

Prior to joining Prudential, Wilfred was with Allianz for over 11 years, where he was CEO of their life insurance joint ventures in China, Thailand and the Philippines and Regional GM, Life & Health Insurance for Asia. Before Allianz, Wilfred worked in the United Kingdom for three life insurers after commencing his career with a firm of consulting actuaries.

Wilfred, a British national, qualified as a Fellow of the Institute of Actuaries (FIA) in 1995. He has an MBA from the University of Bath and a BSc (Mathematics – 1st Class Hons.) from the University of Newcastle upon Tyne (his home town). Wilfred has been a postgraduate student at the City University (now CASS), SAID Business School (Oxford University) and Harvard Business School.

ANDREAS ROSENTHAL

Chief Financial Officer

Andreas Rosenthal is the Chief Financial Officer (CFO) of Prudential Singapore. He oversees Finance (Operations), Financial Reporting, Actuarial Financial Management, Actuarial Products and Advisory, Distribution Compensation and Analytics, Performance and Expense Management, Finance Projects and Transformation, and Procurement.

A finance and actuarial veteran with 20 years of insurance industry experience, Andreas has held regional and local CFO roles in markets across Asia including Korea, Singapore, Taiwan, Thailand, the Philippines.

Prior to joining Prudential Singapore in January 2018, Andreas was with the AIA group for five years in the Philippines and Korea – first as CFO of Philippine American Life and General Insurance Company (Philam Life), then CFO of AIA Life Korea and coming full circle as CFO and Head of Transformation of Philam Life. Andreas also spent several years with Allianz where he was the regional CFO for Asia based in Singapore, CFO in Taiwan and Thailand.

A qualified German Actuary, Andreas holds a Master's Degree in Mathematics from the FU University of Berlin, Germany and a PhD in Mathematics from the University of Bielefeld, Germany.

THERESA NAI

Chief Operating Officer

Theresa Nai is the Chief Operating Officer of Prudential Singapore. In this role, she is responsible for overseeing the Life Operations of the company which covers Claims and New Business, as well as Customer Management.

Theresa has held the position since June 2009 and pioneered the use of technology to transform operations digitally and deliver a frictionless customer experience.

She spearheaded the development of several industry-firsts solutions in Singapore, including a chatbot that provides instant customer-specific information on-the-go and a machine learning-based auto claims assessment solution. Theresa was also instrumental in leading our drive to build a customer-centric operating model.

Theresa, a Singaporean, holds a Bachelor of Science from the National University of Singapore.

ODD HAAVIK

Chief Distribution Officer

Odd Haavik is Chief Distribution Officer at Prudential Singapore. In this role, he manages both agency and partnerships distribution, driving performance, ensuring alignment of strategies across channels, and developing new partnerships to accelerate growth.

Odd joined Prudential Singapore in 2018 as the Head of the High Net Worth (HNW) Strategy & Transformation, leading the development and rapid roll-out of OPUS, Prudential's HNW proposition.

With a career spanning three decades in the Asian financial services sector, Odd holds a successful track record in insurance and investment banking. Between 2005 and 2017, he was the founding director of Charles Monat Associates, a leader in Ultra HNW insurance advisory, and later its Chief Executive Officer, Asia and Europe. Odd also spent 15 years with leading European and US investment banks in Hong Kong and Singapore, where he specialised in financial risk management structures.

Odd is a member of the Society of Trust & Estate Practitioners (STEP) and is conferred the IBF Advanced (IBFA) professional certification title by the Institute for Banking and Finance (IBF) Singapore. He is a Norwegian citizen and a Singapore Permanent Resident who has lived and worked in Singapore for more than 20 years.

SHEELA PARAKKAL

Chief Human Resources Officer

Sheela Parakkal was appointed Chief Human Resources Officer of Prudential Singapore in September 2015.

In this role, Sheela champions the human capital value chain and leads the HR function to develop and drive people strategies in line with the business goals. This includes building best-in-class HR practices in recruitment, talent and succession planning, reward and recognition programmes.

Sheela started her 17-year career with PricewaterhouseCoopers Singapore (PwC Singapore) as an auditor before moving into a human capital role focusing on business partnership, talent and development, and mobility of its large professional workforce. Prior to joining Prudential Singapore, she was the Human Capital Leader for PwC Singapore Consulting and the Group Human Resources Director overseeing regional operations at Sindicatum Sustainable Resources.

Sheela is Malaysian and holds an MBA (Banking & Finance) from the Nanyang Technological University, Singapore. A certified public accountant, she is a member of the Australian Society for Certified Practising Accountants.

JACKIE CHEW

Chief Risk Officer

Jackie is the Chief Risk Officer of Prudential Singapore. She oversees Enterprise Risk Management, Technology Risk Management, Legal, Compliance and Risk Analytics.

She is a trained accountant who has more than 20 years of work experience in insurance, asset management, investment banking and private banking.

Jackie joined Prudential in 2011 and has a distinguished career in various Prudential entities. Her most recent role was in Group-wide Internal Audit as Audit Director, Fund Management, Prudential Corporation Asia. Prior to that, Jackie was the Chief Executive Officer of Eastspring (Singapore) Investments. Her previous experience also includes roles at Merrill Lynch, ING Bank and PwC.

Jackie holds a Master of Business Administration in Finance (Merit) from the University of Leeds, UK and a Bachelor of Accountancy (Hons) from Nanyang Technological University, Singapore. A Singaporean, she is a certified public accountant and a fellow, Life Management Institute with Distinction, LOMA.

GOH THENG KIAT

Chief Customer Officer

Goh Theng Kiat is the Chief Customer Officer of Prudential Singapore. In his role, Theng Kiat champions customer-centricity across the organisation and is responsible for the delivery of a differentiated proposition and experience to our customers in both the retail and enterprise segments. He oversees Prudential Singapore's customer strategy and initiatives, products, marketing, events and data analytics.

Theng Kiat brings with him more than 20 years of marketing and business management experience across different industries, from FMCG to financial services.

Prior to joining Prudential Singapore in August 2018, he was Chief Marketing Officer at the consumer arm of OCBC Bank Singapore, where he helped build its brand, product, customer segments and digital marketing practice. He has also held a number of regional and global responsibilities in marketing and innovation.

Theng Kiat is Singaporean and holds a Bachelor degree in Electrical Engineering from the National University of Singapore.

LENA TEOH

Chief Investment Officer

Lena Teoh joined Prudential Singapore as Chief Investment Officer in January 2017.

She leads the Investment Division in driving Prudential Singapore's long-term investments across the company's assets including life insurance products which comprises whole of life, endowments as well as savings and insurance-linked solutions. Lena oversees the investment process, setting in place the strategic asset allocation of the various funds, making tactical shorter-term decisions and partnering the asset managers to ensure delivery of optimal investment performance for policy holders. She also engages the distribution channels by sharing investment views and strategies, and the product management teams in areas of investment-related advice and business support.

Lena's career spans across 25 years in the financial services industry including corporate banking, investment banking and asset management. She has strong experience investing in multi-class assets across Global and Asian markets as well as a deep understanding of the macro and micro economic drivers that are crucial to making successful investments. Lena was the Managing Director with Credit Suisse Singapore till April 2016, where she was responsible for steering the tactical asset allocation strategies for the Bank's Global and Asian-based discretionary and advisory solutions. She was the Asia Pacific Regional Chief Investment Officer for Credit Suisse's Multi Asset Class Division in Asset Management from 2006 to 2014.

Lena is from Australia. She graduated from the National University of Singapore with a First Class Honours Degree in Biochemistry and is also a Chartered Financial Analyst.

ARVIND MATHUR

Chief Information Technology Officer

Arvind Mathur is the Chief Information Technology Officer of Prudential Singapore. In his role, he leads the Information Technology (IT) function in building a digital powerhouse to help Prudential Singapore create awesome experiences for its employees, customers and distributors.

Arvind joined Prudential Singapore in August 2017 after nearly 20 years in the consumer goods industry with Procter & Gamble, and brings with him a strong passion for customer centricity and experiences in driving digital transformation across business and technology domains. Arvind is an Indian national and has lived in India, the Philippines, USA and Singapore.

A Lean/Agile Champion, Arvind is adept at leading cross-functional teams and building organisation capability. He is an Industrial Engineer with a Bachelor of Engineering in Production and Industrial from the Delhi College of Engineering, and an MBA in Finance and IT from the Management Development Institute (MDI), Gurgaon, India.

CORPORATE GOVERNANCE

BOARD'S CONDUCT OF AFFAIRS

BOARD RESPONSIBILITY AND ACCOUNTABILITY

The Board oversees the affairs of Prudential Singapore, including providing oversight over the setting of the strategic goals of the company, ensuring that there are adequate resources available, establishing a framework of controls to assess and manage risks, and reviewing the business performance of the company.

BOARD COMMITTEES

Prudential Singapore is an indirect wholly-owned subsidiary of Prudential plc. On its behalf, the Board at Prudential Singapore performs the role of the Nominating, Remuneration and Risk Management Committees. In addition to these Committees, the Board has also established a separate Audit Committee, which has been constituted with a Board-approved written terms of reference.

BOARD/COMMITTEE MEETINGS AND ATTENDANCE

The Board meets at least four times a year to review business performance and key activities, as well as to approve policies. Ad-hoc Board meetings will be convened if warranted. Audit Committee meetings are also held four times a year and usually before the Board meetings. The table below lists the number of Board and Audit Committee meetings held and attended by each director throughout 2018.

Board/Committee Meetings and Attendance	Board Meetings (include 1 Special meeting)	Audit Committee Meetings
Number of meetings held in 2018	**5**	**4**
Chairman		
Lilian Lup-Yin Ng	5	-
Chief Executive Officer		
Wilfred John Blackburn	5	2
Non-Executive Director		
Annie Koh (Note 1)	3	2
Dr Tan Ng Chee (Note 2)	2	2
Teo Teow Hock (Note 3)	-	-
Wan Mei Kit	5	4
Sir Alan Stanley Collins (Note 4)	5	4

Note 1: Appointed as Director and Audit Committee member with effect from 1 August 2018.

Note 2: Stepped down as Director and Audit Committee member with effect from 3 September 2018.

Note 3: Appointed as Director and Audit Committee member with effect from 22 October 2018.

Note 4: Audit Committee Member. In addition, Sir Allan Collins will no longer be a director effective 16 February 2019.

The Board has developed internal guidelines on matters which require the Board's approval, as well as matters for which the Board has to be informed on a regular basis. The types of material transactions that require Board approval include non-routine transactions that are not made in the ordinary course of business and/or any transactions exceeding pre-defined limits as approved by the Board.

BOARD COMPOSITION AND INDEPENDENCE

The Board conducts a review and determines the independence of its directors annually. In accordance with the Corporate Governance Regulations, an independent director in Prudential Singapore is one who is independent from management and business relationships with the Company, the substantial shareholders of the Company and has not served for more than nine years on the Board. The Board is required to have at least one-third of directors who are independent directors and at least a majority of directors who are independent from management and business relationships.

As at the date of this report, the Board comprises the Chairman, Ms Lilian Lup-Yin Ng, the Chief Executive Officer (CEO), Mr Wilfred John Blackburn, and three non-executive directors, namely, Ms Wan Mei Kit, Prof Annie Koh and Mr Teo Teow Hock. There are three independent directors, namely Ms Wan Mei Kit, Prof Annie Koh and Mr Teo Teow Hock. The current composition of the Board satisfies the statutory requirement of having a majority of directors who are independent from any management and business relationship with Prudential Singapore.

The directors possess a wide spectrum of competencies in finance, business/ management and education. The non-executive directors are constructively involved in discussing strategic proposals, as well as in reviewing the performance of management in meeting agreed goals and objectives and monitoring the reporting of performance. The directors' profiles can be found in the Board of Directors section of this Annual Report.

CHAIRMAN AND CEO

The division of responsibilities between the Chairman and CEO has been approved by the Board and is set out in the Board Governance Policy and Guidelines.

Among her other responsibilities, the Chairman is tasked with the leadership and the governance of the Board as a whole. She approves the agenda of the Board, monitors the quality and timeliness of the flow of information to the Board, and promotes effective communication and constructive relationships between the Board and management.

With the assistance of members of the Core Leadership Team (CLT), the CEO is responsible for the management of Prudential Singapore and the implementation of Prudential Singapore's strategies and plans, as well as oversight of the day-to-day operations of the company.

The Board has not appointed a lead independent director because the Chairman and the CEO are separate persons and Prudential Singapore is a wholly-owned subsidiary of Prudential plc.

BOARD MEMBERSHIP

ROLE OF THE NOMINATING COMMITTEE

In performing the functions of the Nominating Committee, the Board identifies candidates and reviews nominations for appointment considering the candidate's merit, as well as his/her fulfillment of pre-defined criteria. The Board considers the re-appointment of directors every three years, and reasons for resignations of directors as well as the members of the CLT. Directors who are above 70 years of age are also subject to annual re-appointment at the AGM.

On an annual basis, the Board determines whether each director remains qualified for office taking into account various factors such as the extent of independence, fit and proper status and experience. It is Prudential Singapore's policy not to set a one-size-fits-all policy on the number of directorships which may be held by each director. Directors may serve on a number of other Boards, provided that they are able to demonstrate satisfactory time commitment to their roles at Prudential Singapore.

PROCESS FOR APPOINTMENT OF NEW DIRECTORS

In appointing new directors, the Board evaluates the balance of skills, knowledge and experience of the Board and identifies the roles and capabilities required at any time, taking into account the environment in which Prudential Singapore operates.

INDUCTION

Newly appointed directors are provided with induction/orientation programmes covering an overview of the company, its structure and principal activities.

All directors are also issued the Board Governance Policy and Guidelines, which covers internal policies and guidelines observed by the Board in its oversight activities.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Prudential Singapore has developed a continuous professional training programme which commences with a regular gap analysis on the required skill-sets based on the expected business operating environment of the year. Directors complete survey forms to provide an assessment of how effective the training programme is. Based on the 2018 survey results, the training programme provided to directors was effective in equipping them with relevant knowledge and skills to perform their roles effectively.

Throughout their period in office, directors are also regularly updated on Prudential Singapore's businesses and the regulatory and industry specific environment in which Prudential Singapore operates, as well as on their duties and obligations. These updates can be in the form of written reports to the Board, or presentations by internal staff or external professionals.

In addition to the regular schedule of meetings, the Board holds at least one "Away Day" on an annual basis to discuss the latest developments within the industry, including changes to regulations, corporate governance, accounting standards, risk management and control, where relevant.

BOARD PERFORMANCE

Board evaluations are conducted on an annual basis. This process comprises evaluations by each director on the Board's performance as a whole and its board committees, the contribution by the Chairman as well as self-evaluations of individual performance.

In carrying out their assessments, the Board considers key performance criteria which include qualitative measures such as the provision of oversight over the establishment of strategic directions, and the achievement of objectives where they have been set and approved by the Board.

ACCESS TO INFORMATION

All directors have direct access to the Company Secretary, who attends all Board meetings and prepares minutes of Board proceedings. Directors also have full access to members of the CLT.

The Board has approved a procedure, as established in the Board Governance Policy and Guidelines, whereby directors have the right to seek independent professional advice, to enable the directors to fulfil their obligations.

REMUNERATION

DEVELOPMENT OF POLICIES

In performing the functions of a Remuneration Committee, the Board approves the remuneration framework for directors and members of the CLT as developed by Prudential Singapore and the Regional Head Office in Hong Kong respectively. The Board also endorses the remuneration packages for independent directors and members of the CLT.

DIRECTOR/CLT REMUNERATION

The independent directors are paid directors' fees which are reviewed regularly. Considerations such as the director's effort, time spent and responsibilities are taken into account during the review.

The remuneration policy for the members of the CLT, including the CEO, is formulated to ensure that they are compensated in line with individual performance and performance of Prudential Singapore based on a balanced scorecard of key performance indicators (KPIs) which include both financial and strategic objectives. Members of the CLT with control job functions such as risk management, compliance, etc., are also subject to these KPIs. Factors such as market competitiveness and industry benchmarks are taken into account.

The remuneration of members of the CLT largely comprises fixed remuneration, i.e., their basic salary, variable remuneration, which is a performance-based variable bonus and closely linked to the performance of Prudential Singapore and the individual concerned, as well as long-term incentives which provide alignment to Prudential Group's value through making share awards to key individuals on a selected basis. The long-term incentive will vest after three years subject to continued employment.

The remuneration of the CEO and members of the CLT are reviewed by the Regional Head Office in Hong Kong and endorsed by the Board.

While the Regional Head Office takes into account the Implementation Standards[1] issued by the Financial Stability Board, its policies are intended for the broader audience of all Prudential entities across Asia. Consequently, there may be some differences between its policies and the Implementation Standards.

DISCLOSURE ON REMUNERATION

After careful consideration, Prudential Singapore has decided not to disclose information on the remuneration of directors and the members of the CLT. We are of the view that the disadvantages to Prudential Singapore's business interests would far outweigh the benefits of such disclosure, in view of the disparities in remuneration in the industry and the competitive pressures which are likely to result from such disclosure.

ACCOUNTABILITY

As a private limited company, Prudential Singapore is accountable to its Regional Head Office and Group Head Office, and provides updates and reports on a regular basis. Financial updates on the performance, position and prospects are also provided to the Board on a quarterly basis, as well as on any significant events which have occurred or affected the company during the year.

[1] *Please refer to the FSB Principles for Sound Compensation Practices: Implementation Standards*

RISK MANAGEMENT AND INTERNAL CONTROLS

Overall, the Board is satisfied that the internal control and risk management systems are adequate and effective, having considered factors such as the truth and fairness of the financial statements prepared by management, the internal auditors' independent assessment of the internal control, risk management practices and management letter points highlighted by the external auditors. The Board has received assurance from the CEO and the CFO that Prudential Singapore's risk management and internal control systems are effective, the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances.

RISK MANAGEMENT

Principles and Objectives

Risk is defined as the uncertainty that Prudential Singapore faces in successfully implementing its strategies and objectives. This includes all internal or external events, acts or omissions that have the potential to threaten the success and survival of Prudential Singapore. Accordingly, material risks will be retained selectively where we think there is value to do so, and where it is consistent with the Company's risk appetite and philosophy towards risk-taking.

The control procedures and systems established within Prudential Singapore are designed to manage rather than eliminate the risk of failure to meet business objectives. They can only provide reasonable and not absolute assurance against material misstatement or loss and focus on aligning the levels of risk-taking with the achievement of business objectives.

Material risks will only be retained where this is consistent with Prudential Singapore's risk appetite framework and its philosophy towards risk-taking. Prudential Singapore's current approach is to retain such risks where doing so contributes to value creation and Prudential Singapore is able to withstand the impact of an adverse outcome, and has the necessary capabilities, expertise, processes and controls to appropriately manage the risk.

Routine internal reporting by the business meets the standards set by the Group Risk function. Risks inherent in the business operations are reviewed as part of the annual preparation of the business plan. Clear escalation criteria and processes are in place for the timely reporting of risks and incidents by the business to the risk management and compliance functions and, where appropriate, the Board and regulators.

Risk Governance

Prudential Singapore's risk governance framework comprises organisational structures, reporting relationships, delegation of authority, roles and responsibilities and risk policies to enable business units to make decisions and control activities on risk related matters. Business units establish processes for identifying, evaluating and managing the key risks faced by Prudential Singapore. The framework is based on the concept of 'three lines of defence' comprising risk taking and management, risk control and oversight and independent assurance.

Primary responsibility for strategy, performance management and risk control lies with the Board, which has established the Risk Committee to assist in providing leadership, direction and oversight in respect of Prudential Singapore's significant risks.

Risk Committee

In performing the role of the Board Risk Management Committee, the Board oversees the Risk Committee comprising members of the Core Leadership Team ("CLT") and senior management representation as standing invitees to ensure that there is an adequate risk management system to identify, measure, monitor, control and report risks.

The principal responsibilities of the Risk Committee are to:

- review Prudential Singapore's enterprise risk management framework, as well as the risk appetite and risk policies, including the parameters used and methodologies and processes adopted for identifying and assessing risks;

- review the material and emerging risk exposures of Prudential Singapore, including market, credit, insurance, operational, liquidity and economic and regulatory capital risks as well as regulatory and compliance matters;

- to highlight to the Board significant matters arising out of the Risk Committee's review of Prudential Singapore's risks, including any breaches of risk appetite, indications that material risks may potentially crystallize, and significant modifications to risk mitigation strategies, controls and action plans.

The Risk Committee ensures that the risk management function has adequate resources and is staffed by experienced and qualified employees. The Risk Committee reports directly to the Board. The risk management function is led by the Chief Risk Officer who also reports regularly to the Risk Committee and the Board.

During 2018, the Risk Committee met at least 4 times and approved components of the Enterprise Risk Management framework, including PACS' Own Risk and Solvency Assessment ("ORSA") Report, and PACS' Recovery Plan and approved changes from PACS' annual review of its risk management framework and related risk policies.

Risk Management Framework and Capital Management

As a provider of financial services, including insurance, the management of risk lies at the heart of Prudential Singapore's business. As a result, effective risk management capabilities represent a key source of competitive advantage for Prudential Singapore.

Prudential Singapore's risk framework includes its appetite for risk exposures as well as its approach to risk management. Under this approach, Prudential Singapore continuously assesses its top risks and monitors its risk profile against approved limits. Prudential Singapore's main strategies for managing and mitigating risk include asset liability management, and implementing reinsurance programmes.

a. Risk Appetite

Prudential Singapore defines and monitors aggregate risk limits based on financial and non-financial stresses for its earnings volatility, liquidity, capital requirements and operational risks.

Earnings volatility:
the objectives of the limits are to ensure that:

a. the volatility of earnings is consistent with the expectations of stakeholders,
b. earnings are managed properly.

The two measures used to monitor the volatility of earnings are European Embedded Value (EEV) operating profit and International Financial Reporting Standards (IFRS) operating profit, although EEV and IFRS total profits are also considered.

Liquidity:
the objective is to ensure that Prudential Singapore is able to generate sufficient cash resources to meet financial obligations as they fall due in business as usual and stressed scenarios.

Capital requirements:
the limits aim to ensure that supervisory intervention is avoided. The measure used is the Capital Adequacy Ratio (CAR) under Singapore Risk Based Capital (RBC) requirements.

Operational Risk:
as Prudential Singapore has no appetite for material losses (direct or indirect) suffered as a result of failing to develop, implement and monitor appropriate controls to manage operational risks, limits are set to support the monitoring and management of risks.

b. Risk Policies and Risk Exposures

Risk Policies set out the specific requirements which cover the fundamental principles for risk management within the Risk Management Framework. Policies are designed to give some flexibility so that business users can determine how best to comply with policies based on their local expertise. There are core risk policies for credit, market, insurance, liquidity and operational risks.

Risks are categorised as shown below:

Category	Risk type	Definition
Financial risks	Insurance risk	• The risk of loss for the business or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend, or volatility of a number of insurance risk drivers. This includes adverse mortality, longevity, morbidity, persistency and expense experience.
	Market risk	• The risk of loss for the business, or of adverse change in the financial situation, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities.
	Liquidity risk	• The risk of Prudential Singapore being unable to generate sufficient cash resources or raise finance to meet financial obligations as they fall due in business as usual and stress scenarios.
	Credit risk	• The risk of loss for the business or of adverse change in the financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).
Non-financial risks	Operational risk	• The risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.
	Business environment risk	• Exposure to forces in the external environment that could significantly change the fundamentals that drive Prudential Singapore's overall strategy.
	Strategic risk	• Ineffective, inefficient or inadequate senior management processes for the development and implementation of business strategy in relation to the business environment and Prudential Singapore's capabilities.

The key financial and non-financial risks and uncertainties faced by Prudential Singapore, that have been considered by the Risk Committee during the year and Prudential Singapore's approaches to managing the financial risks, are described in note 4 of the Financial Statements.

Risk Culture

Culture is a strategic priority of the Board who recognise the importance of good culture in the way that we do business. Risk culture is a subset of broader organisational culture, which shapes the organisation wide values that we use to prioritise risk management behaviours and practices.

Internal Controls

Prudential Singapore has established a sound system of internal controls to safeguard its investments and assets. A review of the effectiveness of controls is carried out by auditors from GwIA Asia, with recommendations provided to the AC. In turn, the AC provides oversight over processes developed to address these recommendations in a timely manner.

The AC believes that the system of internal controls (which covers financial, operational, compliance and information technology controls) and risk management systems provide adequate assurance against material financial, operational and compliance risks for this financial year.

AUDIT COMMITTEE

As of 14 March 2019, the Audit Committee (AC) comprised Ms Wan Mei Kit (Chairman), Prof Annie Koh and Mr Teo Teow Hock who are all non-executive directors. All the AC members have significant financial management expertise and experience.

The AC provides oversight over financial reporting and internal controls, and reviews the scope and results of audits. In addition, the AC is tasked with reviewing material related party transactions and informing the Board of such transactions.

In consultation with the AC at its Regional Head Office, Prudential Singapore's AC also makes recommendations to the Board on the appointment, re-appointment, terms of engagement and remuneration of the external auditor. It also reviews the independence of external auditors.

The aggregate amount of fees, including those relating to non-audit services, paid to the external auditors for 2018 was not significant. The AC has reviewed the volume and nature of non-audit services provided by the external auditors during the year and is satisfied that their independence and objectivity have not been impaired by the provision of those services.

On an annual basis, the AC meets with the internal and external auditors without the presence of the CLT.

For matters which the AC has decided should be brought to the attention of the AC at the Regional Head Office in Hong Kong and the Board, a procedure has been set in place where the Chairman of the AC will inform the Regional Audit Director of Group-wide Internal Audit Asia (GwIA Asia) within 10 days of the date of the AC. For more information on GwIA Asia, see section on Internal Audit.

The AC at the Regional Head Office has instituted an independent confidential helpline across all of Prudential's Asian entities to support the company's whistle-blowing policy. Employees of these companies may, in confidence, raise concerns about possible improprieties, whether in financial reporting or other matters. The AC of Prudential Singapore provides oversight over arrangements for the independent investigation of such matters and for appropriate follow-up action.

INTERNAL AUDIT

The internal audit function, Group-wide Internal Audit (GwIA), is a group-wide function reporting to the Group Head Office in London. In turn, the Regional Audit Director of GwIA Asia is directly responsible for the internal audit of Prudential entities throughout the whole Asian region.

The scope and role of GwIA Asia's activities encompass the examination and evaluation of the adequacy and effectiveness of the Prudential Group's system of internal controls and the quality of performance in carrying out assigned responsibilities. This includes performing an independent assessment of the risk and the adequacy of controls to ensure that the control environments are operating in a manner that commensurates with the risk appetite of the organisation.

It also includes making objective and appropriate recommendations to improve the organisation's control environment and to assist the business in achieving its strategies. GwIA Asia has unfettered access to the AC, Board and senior management of all Prudential entities, including Prudential Singapore as well as the right to seek information and explanations.

In carrying out its audits, GwIA Asia is compliant with Group Audit Standards, which adheres to the Institute of Internal Auditors' (IIA) requirements as set out in the IIA's "Code of Ethics" and "International Standards for the Professional Practice of Internal Auditing". GwIA Asia will conduct itself in accordance with standards, policies and practices as set out in the GwIA Procedures Manual, and will carry out its audit work in accordance with the GwIA Methodology.

GwIA Asia provides its services through Regional Teams located across the region, whose structure reflects its independence through direct reporting lines within GwIA, and, where required by local regulations, to the AC of the local unit, including Prudential Singapore.

Being a group-wide function, the appointment, remuneration, resignation or dismissal of the Regional Audit Director of GwIA Asia is made by the AC at the Regional Head Office in Hong Kong. On an annual basis, GwIA Asia will prepare and present audit plans to the Group and Regional Head Office Audit Committees, as well as the AC of various Prudential entities, including Prudential Singapore, for approval.

SHAREHOLDER COMMUNICATION

As a private limited company, Prudential Singapore has a limited number of shareholders. Nonetheless, Prudential Singapore continues to place great significance on regular and effective communication with all its stakeholders, including policyholders.

The Annual Report, which contains the financial statements of the company, is available on our corporate website.

BOARD EXECUTIVE COMMITTEE

Between its regular meetings, the Board continues to exercise its oversight of Prudential Singapore via electronic mail, a directors' online secured portal, as well as regular teleconversations with the CEO and members of the CLT. Given the ease with which the Board can be contacted for decisions on significant matters, as well as the regularity with which the Board is engaged in between meetings, a separate Board Executive Committee is not required.

RELATED PARTY TRANSACTIONS

Policies on related party transactions are established at the Regional Head Office level for all Prudential entities operating in Asia. Material transactions are disclosed in the Section on Financial Statements in this Annual Report.

"WE DO **LIFE**"

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 December 2018.

In our opinion:

(a) the financial statements set out on pages 60 to 124 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

DIRECTORS

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

Lilian Lup-Yin Ng
Wilfred John Blackburn
Wan Mei Kit
Annie Koh *(Appointed on 1 August 2018)*
Teo Teow Hock *(Appointed on 22 October 2018)*

DIRECTORS' INTERESTS

The Company has obtained approval from the Accounting and Corporate Regulatory Authority for relief from the requirements of section 201(6)(g) of the Singapore Companies Act, Cap. 50. Under the relief, the Company is exempted from disclosure of directors' interests in the shares and debentures of the Company and its related corporations.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTIONS

During the financial year, there were:

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

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

As at the end of the financial year, there were no unissued shares of the Company under option.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Wilfred John Blackburn	**Lilian Lup-Yin Ng**
Director	Director

14 March 2019

INDEPENDENT AUDITORS' REPORT

Member of the Company
Prudential Assurance Company Singapore (Pte) Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Prudential Assurance Company Singapore (Pte) Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 60 to 124.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

BASIS FOR OPINION

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

OTHER INFORMATION

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

OPINION

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.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
14 March 2019

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	2018 $'000	2017 $'000
Assets			
Property and equipment	6	78,516	51,895
Intangible assets	7	295,805	304,884
Investments and loans			
- Equity securities	8	5,083,437	6,236,021
- Debt securities	8	9,119,334	7,562,447
- Collective investment schemes	8	21,684,411	21,298,481
- Derivative financial instruments	8	121,880	153,895
- Loans and receivables	8	657,454	674,944
Reinsurers' share of insurance contract liabilities	9	927,062	1,093,219
Insurance and other receivables	10	265,332	281,383
Cash and cash equivalents	11	708,788	1,104,507
Total assets		38,942,019	38,761,676
Liabilities			
Gross insurance contract liabilities	12	32,856,379	32,534,724
Investment contracts with discretionary participating features	12	9,572	46,356
Insurance and other payables	13	3,265,053	3,345,243
Derivative financial instruments	14	62,922	68,298
Provision for tax		64,083	66,960
Deferred tax liabilities	15	1,403,929	1,391,602
Total liabilities		37,661,938	37,453,183
Net assets		1,280,081	1,308,493
Equity			
Share capital	16	526,557	526,557
Reserves	17	18,658	17,801
Accumulated surplus	18	734,866	764,135
Total equity		1,280,081	1,308,493

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Insurance premiums	20	5,807,027	5,348,554
Reinsurance premiums	20	(35,972)	(319,153)
Net insurance premiums	20	5,771,055	5,029,401
Fees and commission income	21	86,382	20,571
Investment (expense)/income	22	(1,171,453)	3,821,588
Other operating income		6,247	15,017
Net income before claims, benefits and expenses		4,692,231	8,886,577
Gross claims, maturity and surrender benefits		(2,998,707)	(3,243,262)
Increase in gross insurance contracts (including investment contracts with discretionary participating features) liabilities during the year		(267,442)	(4,344,254)
Reinsurers' share of contract liabilities, claims and benefits incurred		47,462	290,010
Net claims and benefits incurred	23	(3,218,687)	(7,297,506)
Commission and distribution costs	24	(679,469)	(594,844)
Staff costs	25	(148,036)	(135,994)
Depreciation of property and equipment	6	(26,283)	(18,503)
Other operating expenses	26	(314,851)	(282,431)
Claims, benefits and expenses		(4,387,326)	(8,329,278)
Profit before tax		304,905	557,299
Taxation expense	27	(84,994)	(322,897)
Profit for the year	28	219,911	234,402
Other comprehensive income **Item that will not be reclassified to profit or loss:**			
Gain on revaluation of leasehold property (net of tax)	6	1,877	1,526
Total other comprehensive income		1,877	1,526
Total comprehensive income for the year		221,788	235,928

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Note	Share capital $'000	Capital contribution reserve $'000	Revaluation reserve $'000	Accumulated surplus $'000	Total $'000
At 1 January 2017		526,557	1,019	15,255	779,933	1,322,764
Total comprehensive income for the year						
Profit for the year		–	–	–	234,402	234,402
Other comprehensive income						
Gain on revaluation of leasehold property	6	–	–	1,526	–	1,526
Total comprehensive income for the year		–	–	1,526	234,402	235,928
Transactions with owner, recorded directly in equity						
Value of employee services received for issue of options		–	1	–	–	1
Dividends to equity holder	18	–	–	–	(250,200)	(250,200)
Total transactions with owner		–	1	–	(250,200)	(250,199)
At 31 December 2017		526,557	1,020	16,781	764,135	1,308,493
At 1 January 2018		526,557	1,020	16,781	764,135	1,308,493
Total comprehensive income for the year						
Profit for the year		–	–	–	219,911	219,911
Other comprehensive income						
Gain on revaluation of leasehold property	6	–	–	1,877	–	1,877
Total comprehensive income for the year		–	–	1,877	219,911	221,788
Transactions with owner, recorded directly in equity						
Dividends to equity holder	18	–	–	–	(250,200)	(250,200)
Transferred to accumulated surplus		–	(1,020)	–	1,020	–
Total transactions with owner		–	(1,020)	–	(249,180)	(250,200)
At 31 December 2018		526,557	–	18,658	734,866	1,280,081

STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Profit before tax		304,905	557,299
Adjustments for:			
Amortisation of club membership		24	25
(Reversal)/amortisation of intangible assets	7	(2,218)	18,008
Depreciation of property and equipment	6	26,283	18,503
Equity settled share-based compensation expense	29	536	564
Interest, rental and other investment income	22	(715,040)	(610,278)
(Loss)/gain on disposal of property and equipment		102	(7,743)
Net realised gains and fair value changes on financial assets at fair value through profit or loss	22	1,884,444	(3,229,254)
		1,499,036	(3,252,876)
Changes in operating assets and liabilities:			
Loans and receivables and insurance and other receivables		(4,411)	262,944
Reinsurers' share of insurance contract liabilities	9	166,157	(204,904)
Gross insurance contract liabilities	12	321,655	4,397,188
Investment contract liabilities		(36,784)	(40,015)
Insurance and other payables		(88,263)	536,794
Cash generated from operations		1,857,390	1,699,131
Income taxes paid		(75,544)	(101,966)
Net cash from operating activities		1,781,846	1,597,165
Cash flows from investing activities			
Dividends received		448,622	315,923
Interest received		265,826	239,185
Purchase of a corporate loan		(13,598)	(13,681)
Proceeds from sale of a corporate loan		51,248	–
Proceeds from sale of investments		19,422,034	10,960,172
Proceeds from disposal of property and equipment		2,227	9,479
Net disposal/(purchase) of intangible assets	7	11,297	(11,646)
Purchase of investments		(22,070,948)	(12,724,875)
Purchase of property and equipment	6	(53,356)	(13,565)
Purchase of club membership		–	(27)
Rental received		1,207	1,262
Net cash used in investing activities		(1,935,441)	(1,237,773)
Cash flow from financing activity			
Dividends paid	18	(250,200)	(250,200)
Net cash used in financing activity		(250,200)	(250,200)
Net (decrease)/increase in cash and cash equivalents		(403,795)	109,192
Cash and cash equivalents at beginning of the year		987,991	878,799
Cash and cash equivalents at end of the year		584,196	987,991
Cash and cash equivalents comprise:			
Cash at bank and in hand, including short-term time deposits	11	584,196	987,991
Cash collateral received	11	124,592	116,516
		708,788	1,104,507

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 14 March 2019.

1 DOMICILE AND ACTIVITIES

Prudential Assurance Company Singapore (Pte) Limited (the "Company") is incorporated in the Republic of Singapore. The address of the Company's registered office is 30 Cecil Street, #30-01 Prudential Tower, Singapore 049712.

The principal activities of the Company consist of transacting life insurance business including linked and accident and health business.

The Company's immediate holding company is Prudential Singapore Holdings Pte Limited, which is incorporated in the Republic of Singapore. The Company's intermediate and ultimate holding companies are Prudential Corporation Holdings Limited and Prudential Public Limited Company respectively. Both are incorporated in England and Wales.

2 BASIS OF PREPARATION

(a) STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRS).

The assets and liabilities of the Company which relate to the insurance business carried on in Singapore are subject to the requirements of the Insurance Act, Chapter 142 (the Insurance Act). Such assets and liabilities are accounted for in the books of the insurance funds established under the Insurance Act. Assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 of the Insurance Act and the Company continues to be able to meet the solvency requirement of Section 18 of the Insurance Act.

(b) BASIS OF MEASUREMENT

The financial statements have been prepared on the historical cost basis except for the following assets and liabilities which are stated at fair value: leasehold property and certain financial instruments designated at fair value through profit or loss.

(c) FUNCTIONAL AND PRESENTATION CURRENCY

These financial statements are presented in Singapore Dollars, which is the Company's functional currency. All financial information presented in Singapore Dollars have been rounded to the nearest thousand, unless otherwise stated.

(d) USE OF ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are disclosed in Note 4.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) BASIS OF CONSOLIDATION

(i) Business combination

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the consolidated financial statements of the Company's controlling shareholder, except for acquired value in-force business, distribution fee and goodwill. The acquired value in-force business was adjusted subsequently to take into consideration refinements to the estimates and assumptions used in the calculation. The distribution fee was also separately recognised from goodwill. Goodwill was restated to take into consideration of these changes.

Income and expenses of acquired interest are included in profit or loss from the date that common control was established.

(ii) Collective investment schemes

The Company invests in a number of collective investment schemes of which it holds more than 50% of the units. These investments are measured in the Company's statement of financial position at fair value.

In accordance with FRS 27 *Separate Financial Statements* and Section 201 (3BA) of the Companies Act, the Company need not prepare consolidated financial statements as it is a wholly-owned subsidiary of Prudential Public Limited Company, which prepares consolidated financial statements. The financial statements of Prudential Public Limited Company are available at its registered office, Laurence Pountney Hill, London, EC4R 0HH, United Kingdom.

(b) INSURANCE CONTRACTS – CLASSIFICATION

The Company issues life insurance contracts that transfer insurance risk. These are classified as insurance contracts and investment contracts with discretionary participating features ("DPF").

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. 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.

Contracts with DPF that transfer insurance risk, but not significant insurance risk are termed as investment contracts. The accounting basis and disclosure are consistent with those for life insurance participating ("par") contracts.

Disclosures on the various life insurance contracts are classified into the principal components as follows:

- Life insurance par contracts (including investment contracts with DPF)
- Life insurance non-par contracts
- Investment-linked contracts

The Company does not unbundle any insurance contracts as its accounting policy recognises all insurance premiums, claims and benefit payments, expenses and valuation of future benefit payments, inclusive of the investment component, through the statement of profit or loss and other comprehensive income.

(i) Life insurance par contracts *(including investment contracts with DPF)*

Insurance and investment contracts that contain DPF are classified as participating policies. The DPF feature entitles the policyholder to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the Company; and
- that are contractually based on:
  a. the performance of a specified pool of contracts or a specified type of contract;
  b. realised and/or unrealised investment returns on a specified pool of assets held by the Company; or
  c. the profit or loss of the Company or fund that issues the contract.

Local statutory regulations and the terms and conditions of these contracts set out the bases for the determination of the amounts on which the additional discretionary benefits are based and within which the Company may exercise its discretion as to the quantum and timing of their payment to policyholders.

The DPF is classified as a liability in the Company's statement of financial position and as part of claims and benefits incurred in the statement of profit or loss and other comprehensive income, as it does not recognise the guaranteed element separately.

(ii) Life insurance non-par contracts

These are contracts that are predominantly protection based. In addition, the Company also has annuity and universal life contracts.

For protection based contracts, the Company usually guarantees a fixed level of benefit that is payable upon a claim event (e.g. death, disability, critical illness). In return, the policyholders will pay contractual premiums that may be guaranteed over the term of the contract.

For annuity contracts, the Company provides a stream of income on a regular basis to the policyholders as long as they are alive.

For universal life contracts, the Company provides financial protection against death and terminal illness. Unlike other non-participating policies, the policy values are based on an accumulated value in which interest is credited to and charges are deducted from it. The interest credited to this account is determined by the Company based on the portfolio investment returns, which is subject to a minimum crediting rate.

(iii) Investment-linked contracts

These are contracts that transfer only insurance risk from policyholders to the Company. Policyholders of such contracts use their premium to purchase units of available investment funds. The amount of benefits is directly linked to the performance of these investment funds. A fixed level of benefit may also be payable upon a claim event (e.g. death, disability, critical illness) in addition to unit account value. Units are deducted from the unit-linked account balances for mortality and morbidity insurance charges, asset management and policy administration fees. The investment returns derived from the variety of investment funds as elected by the policyholder accrue directly to the policyholder.

(c) INSURANCE CONTRACTS – RECOGNITION AND MEASUREMENT

(i) Premiums and commission

Premiums from policyholders are recognised on their respective due dates. Premiums not received on the due date are recognised as revenue with the corresponding outstanding premiums recognised in the statement of financial position. The commission expense arising from these outstanding premiums is accrued in the same reporting period.

Premiums due after but received before the end of the financial year are recorded as advance premiums and are recognised as liabilities in the statement of financial position.

The Company does not adopt the policy of deferring acquisition costs for its insurance contracts.

(ii) Claims and benefits incurred

Claims include maturities, annuities, surrenders, deaths and other claim events and are recorded as an expense when they are incurred.

(iii) Insurance contract liabilities

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is measured using assumptions considered to be appropriate for the policies in force. The actuarial valuation basis is determined by the Appointed Actuary and complies with the Insurance Act, Insurance (Valuation and Capital) Regulations, any other requirements prescribed by the regulator and guidance notes issued by the Singapore Actuarial Society (SAS GN L01 and SAS GN L02).

Additional provision is made in the valuation assumptions to allow for any adverse deviation from the best estimate experience. Provision for adverse deviation (PAD) is reviewed annually by the Appointed Actuary to assess its appropriateness and sufficiency.

Insurance contract liabilities – life insurance par contracts (including investment contracts with DPF)

For policies within the life participating fund, the insurance contract liabilities and investment contracts with DPF 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 any 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.

Insurance contract liabilities – life insurance non-par

In respect of policies within the non-participating fund which are not universal life, the Company values the insurance contract liabilities as the discounted value of expected future payments arising from the policy, including any expected expenses to be incurred and any provision for any 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 with the Monetary Authority of Singapore (MAS) Notice 319.

For universal life policies, the insurance contract liabilities are calculated as the higher of the following on an individual policy basis:

(a) the value obtained by projecting the liabilities under the policy at the minimum guaranteed crediting rate and discounting at the risk-free rate; or

(b) the value obtained by projecting the liabilities under the policy at the current crediting rate and discounting at the best estimate investment return.

Insurance contract liabilities – Investment-linked contracts

The Company values its investment-linked liabilities as the sum of the following:

(a) the unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and

(b) the non-unit reserves, calculated as the value of expected future payments arising from the policy (other than those relating to the unit reserves), including any expense that the insurer expects to incur in administering the policies and settling the relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy (other than those relating to the unit reserves), using best estimate assumptions and discounting the future cash flows at the risk-free rate.

(iv) Insurance receivables and payables

Insurance receivables and payables are recognised when due. These include amounts due to and from insurance and reinsurance contract holders. They are measured on initial recognition at the fair value of the consideration receivable or payable. Subsequent to initial recognition, receivables and payables are measured at amortised cost, using the effective interest rate method.

The carrying amount of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is calculated under the same method used for these financial assets. Insurance receivables and payables are derecognised based on the same derecognition criteria as financial assets and liabilities respectively, as described in Note 3k(i) and 3k(ii).

(d) INSURANCE CONTRACTS – EMBEDDED DERIVATIVES

The Company does not separately measure embedded derivatives that meet the definition of an insurance contract or options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

Options and guarantees inherent in some insurance contracts which are closely related to the host contract issued by the Company are not separated and measured at fair value.

(e) INSURANCE CONTRACTS – REINSURANCE

Assets, liabilities, income and expense arising from reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

An asset or liability is recognised in the statement of financial position representing premiums due to or payments due from reinsurers and the share of benefits and claims recoverable from reinsurers. The net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The measurement of reinsurance assets is consistent with the measurement of the underlying insurance contracts.

Amounts recoverable under reinsurance contracts are assessed for impairment at each reporting date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

(f) INSURANCE CONTRACTS – LIABILITY ADEQUACY TEST

At each reporting date, liability adequacy tests are performed on each insurance fund to assess the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of discounted contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Where a shortfall is identified, additional provision is made and the deficiency is charged to profit or loss in the statement of profit or loss and other comprehensive income.

(g) INVESTMENT CONTRACTS WITH DPF

Contracts that transfer insignificant insurance risk are classified as investment contracts. These investment contracts contain DPF and the accounting basis and disclosure of these contracts are consistent with those of insurance contracts.

(h) FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss in the statement of profit or loss and other comprehensive income.

(i) PROPERTY AND EQUIPMENT

(i) Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses except for leasehold property, which is stated at revalued amount. The revalued amount, which represents the fair value, is determined based on the best price that would reasonably be expected in an orderly transaction between market participants at the measurement date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are carried out by independent professional valuers regularly such that the carrying amount of this asset does not differ materially from that which would be determined using fair value at the reporting date.

Any increase in the revalued amount is credited to the revaluation reserve unless it offsets a previous decrease in value recognised in profit or loss in the statement of profit or loss and other comprehensive income. A decrease in value is recognised in profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation surplus is transferred directly to retained earnings.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

The gain or loss on disposal of property and equipment, except for leasehold property, is recognised in profit or loss.

(ii) Depreciation

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of the items of property and equipment. Depreciation is recognised from the date that the property and equipment are installed and are ready for use. The depreciation based on estimated useful lives for the current and comparative years are as follows:

Leasehold property	1 to 2%
Office equipment	20%
Computer equipment	10% to 33 ⅓%
Motor vehicles	20%
Office renovations	20%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(j) INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Goodwill is measured at cost less accumulated impairment losses.

(ii) Acquired value in-force business

Acquired value in-force business represents the present value of acquired in-force policies for insurance contracts and investment contracts with DPF as classified under FRS 104 *Insurance Contracts*. Acquired value in-force business is initially measured at fair value at acquisition and subsequently measured at cost less amortisation and any accumulated impairment losses. The present value of in-force business, which represents the profits that are expected to emerge from the acquired insurance business, is calculated using best estimate actuarial assumptions for interest, mortality, persistency and expenses and is amortised over the anticipated lives of the related contracts in the portfolio. The net carrying amount of insurance liabilities acquired less the value of in-force business, represents the carrying value of the insurance liabilities acquired.

Amortisation calculated is charged to profit or loss in line with the unwinding of the future cash flows over the estimated useful life of the acquired contracts. The residual values and useful lives are reviewed at each reporting date.

(iii) Others

Others represent amounts paid to third parties under certain distribution agreements and agency development expenses. The amounts paid have finite useful lives ranging from eight to twelve years and three years respectively. They are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated as follows:

Distribution agreements
- Sales generated over the duration of the agreements

Agency development expenses
- Straight-line basis

(k) FINANCIAL INSTRUMENTS

(i) Non-derivative financial assets

The Company initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and make purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income, are recognised in profit or loss.

The Company's investments in equity securities, debt securities and collective investment schemes have been designated at fair value through profit or loss as these instruments are managed and their performance evaluated on a fair value basis.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise policy loans, investment income receivables, other receivables and cash and cash equivalents. Other receivables are recognised when due.

With the exception for infrastructure loans which have been designated at fair value through profit or loss to reduce accounting mismatch arising from insurance liabilities.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Company's cash management are included in cash and cash equivalents.

(ii) Non-derivative financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other non-derivative financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise other payables.

(iii) Derivative financial instruments

The Company uses derivative financial instruments to facilitate efficient portfolio management and for risk management purposes. The Company does not hold derivative financial instruments for speculative purposes. Derivative financial instruments are classified as held for trading and accounted for at fair value through profit or loss.

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value. Changes in the fair value are recognised in profit or loss. The notional amounts of derivative financial instruments are not recognised in the financial statements.

(iv) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(l) IMPAIRMENT

(i) Impairment of non-derivative financial assets

A financial asset that is not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific and collective level. All individually significant loans and receivables are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss in the statement of profit or loss and other comprehensive income and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss in the statement of profit or loss and other comprehensive income.

(ii) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated. For goodwill, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised if the carrying amount of an asset or its related Cash Generating Unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs) and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in respect of prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) PROVISIONS

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) TAX

Tax expenses comprise current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and

- taxable temporary differences arising on the initial recognition of goodwill.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable.

The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(o) OTHER REVENUE AND EXPENDITURE RECOGNITION

(i) Fees and commission income

Fees and commission income comprises reinsurance commission income, distribution income and security lending fees.

Reinsurance commission income is recognised as revenue on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts.

Distribution income and security lending fees are recognised as revenue on an accrual basis.

(ii) Dividend income

Dividend income is recognised in profit or loss when the Company's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(iv) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(v) Operating leases

Rental payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the leases. Lease incentives received are recognised in profit or loss, as appropriate, as an integral part of the total lease payments made.

(vi) Employee benefits – defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(vii) Short-term employee benefits

Short term employee benefits obligations comprising salaries, bonuses and fees are measured on an undiscounted basis and are expensed as the related service is provided.

(p) SHARE-BASED PAYMENT

The Company offers share-based compensation plans to its employees and non-employee advisors. The arrangements for distribution to its employees and non-employee advisors of share-based share compensation plans depend upon the particular terms and conditions of each plan.

For cash settled share-based plans, the compensation expense charged to profit or loss with a corresponding increase in liabilities is primarily based upon the fair value of the shares granted, taking into consideration of the vesting period and vesting conditions. The Company revises its estimate of the cash settled share-based payment likely to occur at each reporting date and adjusts the charge to profit or loss accordingly.

For equity settled share-based plans, the grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(q) KEY MANAGEMENT PERSONNEL

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The Chief Executive Officer and the senior management team are considered as key management personnel of the Company.

(r) NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

(i) Applicable to 2018 financial statements

Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts (Amendments to FRS 104)

The amendments introduce two approaches for entities that apply FRS 104 to reduce the impact of differing effective dates with FRS 117 *Insurance Contracts* and FRS 109 *Financial Instruments*: an overlay approach and a temporary exemption from applying FRS 109.

The amended FRS 104:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when FRS 109 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and

- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying FRS 109 till the earlier of annual reporting periods beginning before 1 January 2021 or when FRS 117 becomes effective. The entities that defer the application of FRS 109 will continue to apply the existing financial instruments standard – FRS 39 until that time.

An insurer that applies the Overlay Approach shall disclose information to enable users of financial statements to understand:

a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

b) the effect of that reclassification on the financial statements.

The amendments allowing the overlay approach are applicable when the insurer first applies FRS 109.

An insurer that elects to apply the temporary exemption from FRS 109 shall disclose information to enable users of financial statements:

a) to understand how the insurer qualified for the temporary exemption; and

b) to compare insurers applying the temporary exemption with entities applying FRS 109.

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2021 and will expire once FRS 117 becomes effective.

Potential impact on the financial statements

The new insurance accounting standard that is currently under consideration is expected to have a significant impact on the Company's financial statements. That standard may impact how the classification and measurement of financial instruments requirements under FRS 109 is adopted.

The Company has decided that it will elect the temporary exemption in the amendments to FRS 104 from applying FRS 109 till FRS 117 is effective. The Company will be able to perform a comprehensive assessment of the impact of both standards, taking into considerations the options available for the implementation of both standards together.

The Company assessed that it has qualified for the temporary exemption as the carrying amount of its liabilities arising from contracts within the scope of FRS 104 is significant compared to the total carrying amount of all its liabilities; and that the total carrying amount of its liabilities connected with insurance is above 90% of its total liabilities as at 31 December 2015.

The credit ratings and the fair value information of the Company's directly held financial assets at 31 December 2018 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and interest ("SPPI") condition of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109 are disclosed in Notes 5(c)(iv) and Note 19 respectively, together with all other financial assets[1].

(ii) Applicable to 2019 financial statements

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*; INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

Potential impact on the financial statements

The Company plans to apply FRS 116 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company expects to measure lease liabilities by applying a single discount rate to the operating leases. Furthermore, the Company is likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019; and the practical expedient of not separating the non-lease component from the lease component. For lease contracts that contain the option to renew, the Company is expected to use hindsight in determining the lease term.

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[1] Any financial asset:

(i) with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;
(ii) that meets the definition of held for trading in FRS 109; or
(iii) that is managed and whose performance is evaluated on a fair value basis.

As at 1 January 2019, the Company expects an increase in ROU assets and lease liabilities of $127.2 million and $124.3 million respectively. The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with depreciation charge for ROU assets and interest expense on lease liabilities.

(iii) Applicable to 2021 financial statements

FRS 117 Insurance Contracts

FRS 117 Insurance Contracts which is effective for years beginning on 1 January 2021, and is to be applied retrospectively. If full retrospective application to a group of contracts is impractical, the modified retrospective or fair value methods may be used. The standard will replace FRS 104 Insurance Contracts and will materially change the recognition and measurement of insurance contracts and the corresponding presentation and disclosures in the Company's financial statements. The Company is currently assessing the impact of FRS 117 on the financial statements of the Company.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) INSURANCE CONTRACT LIABILITIES (INCLUDING LIABILITIES IN RESPECT OF INSURANCE PRODUCTS CLASSIFIED AS INVESTMENT CONTRACTS WITH DPF)

The determination of insurance contract liabilities is dependent on assumptions made by the management of the Company. These estimates are reviewed and adjusted (if necessary) each year in order to establish contract liabilities which reflect best estimate assumptions. The carrying amount as at the reporting date is provided in Note 12.

(i) Process used to determine assumptions

At inception of the contract, the Company determines assumptions in relation to future mortality and morbidity, voluntary terminations and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract.

Subsequently, as experience unfolds, the Company conducts experience studies to investigate the appropriateness of these assumptions. The initial assumptions will be adjusted according to the Company's experience.

The assumptions are required to be on a "best estimate" basis and are considered to be so, if on average, the results are expected to be worse than the assumptions in 50% of the possible scenarios and better in the other 50%. Additional provision is required in the valuation assumptions to allow for any adverse deviation from the best estimate experience.

Information regarding key assumptions used to calculate insurance contract liabilities is provided below:

Mortality

Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. The Company bases the estimates as to the number of deaths/claims on the reinsurers' mortality tables. Where appropriate, the estimates are adjusted to reflect the Company's own experience. The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty is that epidemics such as Acquired Immune Deficiency Syndrome, Severe Acute Respiratory Syndrome and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. Also, continuing improvements in medical care and social conditions could result in improvements in longevity with the Company being exposed to longevity risk.

Morbidity

The incidence rates of morbidity are based on the reinsurers' morbidity tables. Where appropriate, the estimates are adjusted to reflect the Company's own experience. For contracts that are exposed to increases in healthcare costs, appropriate allowance has been made to allow for future increases in such costs after taking into consideration of company's ability to review premium rate.

Persistency

An investigation into the Company's experience over the most recent five years is performed on an annual basis and statistical methods are used to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. The main source of uncertainty is policyholders' behaviour, which may be affected by market and economic conditions. Changes in policyholders' behaviour could result in future termination rates being different from what the Company experienced previously. Allowance will be made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account of such policyholders' behaviour.

Discount rate

The risk-free rates below are used for discounting the insurance contract liabilities in respect of non-participating policies, non-unit reserves of investment-linked policies, as well as the minimum condition liability of life participating funds and universal life policies. The derivation of the risk-free rates is in accordance with the MAS Notice 319 including its amendments and exemptions as granted by MAS, and SAS GNL02.

SGD denominated liabilities	2018 %	2017 %
1 year	1.91	1.71
2 years	1.86	1.64
3 years	1.88	1.68
4 years	1.90	1.72
5 years	1.91	1.76
6 years	1.95	1.82
7 years	1.98	1.89
8 years	2.01	1.95
9 years	2.04	2.02
10 years	2.07	2.09
11 years	2.12	2.15
12 years	2.16	2.20
13 years	2.20	2.26
14 years	2.25	2.32
15 years	2.29	2.38
16 years	2.49	2.54
17 years	2.70	2.71
18 years	2.90	2.87
19 years	3.10	3.04
20 years and above	3.30	3.20

USD denominated liabilities	2018 %	2017 %
1 year	2.57	1.74
2 years	2.47	1.87
3 years	2.44	1.97
4 years	2.47	2.08
5 years	2.50	2.20
6 years	2.53	2.27
7 years	2.57	2.33
8 years	2.61	2.36
9 years	2.65	2.39
10 years	2.69	2.41
11 years	2.72	2.44
12 years	2.74	2.47
13 years	2.77	2.50
14 years	2.80	2.52
15 years	2.83	2.55
16 years	2.86	2.58
17 years	2.88	2.61
18 years	2.91	2.63
19 years	2.94	2.66
20 years	2.97	2.69
21 years	2.98	2.70
22 years	2.99	2.71
23 years	3.00	2.72
24 years	3.01	2.73
25 years	3.02	2.74
26 years	3.02	2.74
27 years	3.03	2.75
28 years	3.04	2.76
29 years	3.05	2.77
30 years and above	3.06	2.78

The best estimate liability of each policy in the participating fund and universal life products are as defined in Note 3c(iii) and discounted using best estimate investment returns.

The best estimate investment return is derived from the expected investment return of assets backing the insurance contract liabilities. Investment returns are generally based on a long term expected market return. These assumptions are set based on a few methodologies, depending on the underlying investment and asset-liability management (ALM) strategy for the sub-fund, including an analysis of historical and trended returns by asset classes, asset yield-to-maturity, fund manager's return projection as well as the ultimate holding company's view of long-term returns. The best estimate investment returns for different sub-funds ranged from 2.86% to 5.92% (2017: 2.03% to 5.50%).

Renewal expense level and inflation

The current level of expenses is taken as an appropriate expense base. Expense inflation is assumed to be at 2.00% (2017: 2.00%) per annum. The Company conducts an expense study on an annual basis, and utilises the results as a basis to derive expense loadings for calculating liabilities.

Tax

It has been assumed that current tax legislation and rates continue substantially unaltered.

(ii) Sensitivity analysis

The following tables present the sensitivity of the value of insurance contract liabilities disclosed in this note to movements in the variables used in the estimation of insurance contract liabilities.

Life insurance par contracts (including investment contracts with DPF)

Variable	Change in variable	Change in liability 2018 $'000	Change in liability 2017 $'000
Worsening of mortality and morbidity	+10%	–	–
Lowering of investment returns	-1%	3,293,069	1,196,203
Worsening of base renewal expense level	+10%	–	–
Worsening of renewal expense inflation rate	+2%	–	–
Worsening of lapse rate	-10%	–	–

Under the Insurance Act, the Company is required to calculate the insurance contract liabilities in respect of the policies in the participating fund as:
(a) the sum of the liability in respect of each policy of the fund;
(b) the minimum condition liability of the fund; and
(c) the value of policy assets of the fund, whichever is the highest.

The sensitivity analyses are performed on the life insurance par contract liabilities based on the above consideration with no change in bonus scale. In most instances, the policy assets remain the dominant value. As the Company can exercise its discretion to vary bonuses, the impact on profit and equity for life insurance par contracts will depend on the extent of bonus revisions under each scenario.

Life insurance non-par contracts

Variable	Change in variable	Change in liability 2018 $'000	Change in profit/equity 2018 $'000	Change in liability 2017 $'000	Change in profit/equity 2017 $'000
Worsening of mortality and morbidity	+10%	76,199	(63,245)	88,111	(73,312)
Lowering of investment returns	-1%	310,392	(257,626)	351,844	(292,031)
Worsening of base renewal expense level	+10%	3,627	(3,010)	3,652	(3,031)
Worsening of renewal expense inflation rate	+2%	3,520	(2,922)	3,809	(3,162)
Worsening of lapse rate	-10%	27,528	(22,848)	28,817	(23,918)

Investment-linked contracts (non-unit reserves)

Variable	Change in variable	Change in liability 2018 $'000	Change in profit/equity 2018 $'000	Change in liability 2017 $'000	Change in profit/equity 2017 $'000
Worsening of mortality and morbidity	+10%	1,964	(1,630)	742	(616)
Lowering of investment returns	-1%	1,621	(1,345)	765	(635)
Worsening of base renewal expense level	+10%	3,150	(2,614)	2,040	(1,694)
Worsening of renewal expense inflation rate	+2%	4,269	(3,543)	2,891	(2,400)
Worsening of lapse rate	-10%	1,581	(1,312)	2,195	(1,822)

The change in profit/equity takes into account the effect of income taxation of the change in profit.

The above analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated – for example, change in interest rate and change in market values; change in lapses and future mortality and morbidity. The whole yield curve is assumed a parallel shift of 1% down in the investment returns (i.e. yield curve) sensitivity scenario except for long term risk-free discount rate defined in the MAS Notice 319.

(b) GOODWILL

Goodwill impairment testing requires the exercise of judgement by management as to prospective future cash flows. Further information is disclosed in Note 7.

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT

This section describes the Company's risks exposure, their concentration and the way the Company manages them.

(a) CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong capital base to meet policyholders' obligations and regulatory requirements, to create shareholder value, deliver sustainable returns to shareholders and to support future business growth. Capital consists of total equity with adjustments to inadmissible assets such as intangible assets, deferred tax asset and any other adjustments specified by MAS.

It is the Company's policy to hold capital levels in excess of the prescribed minimum fund solvency requirement (FSR) and capital adequacy requirement (CAR). Based on the Insurance (Valuation and Capital) Regulations, the CAR ratio of the Company as at the reporting date is 206% (2017: 210%).

Under the Insurance (Valuation and Capital) Regulations, all insurers are required to maintain a minimum FSR of 100% of total risk requirement and at least 120% of CAR to meet policyholders' obligations. The Insurance Act also allows MAS to prescribe different FSR or CAR to insurers with different classes of insurance business and to different types of insurers. The FSR and CAR apply a risk-based approach to capital adequacy and are determined by the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act.

The total risk requirement consists of three components. They are insurance risk requirement, investment risk requirement comprising mainly asset specific and asset/liability duration mismatch charge and concentration risk requirement.

The values, assumptions and methodology used for the measurement of the solvency position are in accordance with the Insurance (Valuation and Capital) Regulations. The valuation of assets and liabilities identified as financial resources is closely aligned to those in the Company's statement of financial position, except for the exclusion of inadmissible assets as prescribed in the Insurance (Valuation and Capital) Regulations.

In addition to satisfying regulatory capital requirements, the Company conducts stress tests on the projected solvency position of the Company to ensure that the management is aware of the risks and threats to solvency that the Company faces and to plan for risk mitigation actions where necessary. The Company is also subject to the ultimate holding company's economic capital framework.

There were no changes in the Company's approach to capital management during the year.

(b) INSURANCE RISK

The risk of loss for the business or of adverse change in the value of insurance liabilities, resulting from changes in the level, trend or volatility of a number of insurance risk drivers. This includes adverse mortality, morbidity, persistency and expense experience. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance contract liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio.

The Insurance (Valuation and Capital) Regulations prescribes capital requirement to be held in respect of insurance risk as well as to maintain sufficient capital resources to cover any shortfall between the aggregate surrender value of contracts and the insurance contract liabilities for each individual insurance fund.

Risks that are specific to the various types of insurance contracts are elaborated below.

Life insurance par contracts (including investment contracts with DPF)

The amount of risk to which the Company is exposed to depends on the level of guarantees inherent in the contracts. As at 31 December 2018, the minimum condition liability, which includes only guaranteed benefits, is $12.3 billion (2017: $10.7 billion) and is significantly below the policy assets of $21.6 billion (2017: $20.4 billion). The corresponding policy liability, which would include future bonuses at a level which meets policyholders' reasonable expectations, is $20.6 billion (2017: $18.0 billion). The policy assets in excess of the policy liabilities, amounting to $1.0 billion (2017: $2.4 billion), are available to meet the insurance fund's solvency requirements and any adverse deviations in the Company's operating experience.

For life insurance par contracts, the participating nature of these contracts results in a significant portion of the insurance risk being shared with the policyholder.

Life insurance non-par contracts

The life insurance non-par contracts consist of individual term insurance, annuity, universal life, health business and group business. The major health business written is the Integrated Shield plans which cover hospitalisation, surgical fees and certain outpatient treatment expenses. The key risks faced by the Company in respect of non-par contracts are mortality and morbidity risks.

Investment-linked contracts (unit reserves)

For these contracts, the insurance contract liabilities represent the fair value of the investment funds or assets linked to those contracts at the reporting date. Additional benefits may be payable upon death, total permanent disability and critical illness. The key risks faced by the Company in respect of investment-linked contracts are mortality and morbidity risks.

(i) Concentration of insurance risk

Concentration of risk may arise where a particular event or a series of events could impact 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.

Insurance risk for contracts is also affected by the policyholders' right to pay reduced or no future premiums or to terminate the contract completely. As a result, the amount of insurance risk is also subject to policyholders' behaviour. On the assumption that policyholders will make decisions rationally, overall insurance risk can be assumed to be aggravated by such behaviour. The Company has factored the impact of policyholders' behaviour into the assumptions used to measure insurance contract liabilities.

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

(ii) Management of insurance risk

For the management of insurance risk, the Company has implemented guidelines and procedures for conducting insurance core activities which include product development, product pricing, underwriting, claims handling and reinsurance management.

The Company assesses the risks and opportunities of a product at the product development stage to ensure only products with risk consistent with the Company's risk appetite and create commensurable value to the Company are being developed.

Product pricing ensures products are appropriately priced to reflect their embedded risk exposures. It is conducted in a prudent manner with the aid of sensitivity and scenario analysis. It is the Company's philosophy to sell at a price sufficient to fund the cost it incurs to hedge or reinsure its risks and for the risk that the Company accepts and manages, to achieve an acceptable return for the shareholders.

The underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of the type of risk and the level of insured benefits. The Company has developed its insurance underwriting strategy according to two main areas - risk selection and risk classification.

The risk selection process determines the groups of insurance risk that are acceptable to the Company so that diversification of insurance risk types is achieved. At the same time, this is to ensure that within each of these risk types, there is a sufficiently large population of risks to reduce the variability of the expected outcome.

Each group of insurance risks is classified into categories of standard and degree of substandard through underwriting. Medical selection and financial underwriting guidelines included in the Company's underwriting procedures allow the correct assignment of insurance risk to the appropriate classes. Each class has varied premium to reflect the health condition and family medical history of the applicants.

The Company has in place claims handling processes to handle claims efficiently, accurately and fairly. Claims are assessed at a level consistent with policy provision, statutory regulations and corporate governance.

The Company uses reinsurance in the normal course of business to diversify its risks and to limit its net loss potential. Reinsurance arrangements for risk undertaken by the Company have limited the Company's risk exposure. The Company has a maximum retention limit for any single life insured that is set according to the reinsurance management strategy guideline approved by the Board of Directors. Catastrophic reinsurance is used to limit the Company's maximum overall exposure to a single event.

(c)
FINANCIAL RISK

The investment objective for each insurance fund is to maximise the returns including capital gains, having regard to the nature and term of the liabilities, the fund's financial strength, the desired level of risk, and any tax, statutory and regulatory constraints.

Transactions in financial instruments result in the Company assuming financial risks. These include market risk, foreign currency risk, liquidity risk and credit risk. Each of these financial risks is described below, together with a summary of the ways in which the Company manages these risks.

(i) Market risk

Market risk is the risk of loss for the business or of adverse change in the financial situation, resulting, directly or indirectly, from fluctuations in the level or volatility of market prices of assets and liabilities. The unexpected change in fair value of a financial instrument could be due to adverse movements in prices, interest rates, or foreign currency exchange rates.

Price risk is the risk that the market values of financial instruments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the financial instrument or its issuer or factors affecting similar financial instruments traded in the market.

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to the impact of changes in market interest rates on interest income from cash and cash equivalents and other fixed income instruments.

The Asset-Liability Management Committee and the Investment Committee of the Company reviews the investment policy of the Company on a regular basis. The investment policy establishes investment guidelines and limits and sets controls on the ALM process. The investment policy is approved by the Board of Directors before implementation.

Investment limits for each insurance fund are set with consideration for diversification by geographical area, markets, sectors, counterparties and currency to reduce the impact of non-systematic risks in the market.

The objective of the Company's ALM process is to meet policy liabilities with the returns generated from investment assets held by the Company, while maintaining appropriate financial strength. Additionally, the Company's ALM strategy adopted considers the following:

(a) liability profile of in-force business and new products;

(b) to appropriately manage investment risk in relation to liability related assumptions;

(c) to ensure that the ALM strategy is within the Company's risk appetite limits and able to withstand an appropriate range of different scenarios, in accordance with economic and local regulatory requirements;

(d) capital, solvency position, participating fund bonus policy and universal life crediting rate policy; and

(e) other considerations such as availability of matching assets, diversification, currency and duration.

The values, key assumptions and methodology in the measurement of assets and liabilities used for ALM are closely aligned to those in the Company's statement of financial position. In addition, best estimate insurance liabilities are also taken into consideration.

The Insurance (Valuation and Capital) Regulations prescribe capital requirements to be held in respect of concentration risk from investment assets and market risk arising from interest rate sensitivity between assets and liabilities.

Risks that are specific to the various types of insurance contracts are elaborated below:

Life insurance par contracts (including investment contracts with DPF)

For par contracts, past experience has shown that surrender rates are relatively stable as compared to movements in interest rates and market values. This could be due to the nature of the contracts as early termination could result in financial losses to the policyholders.

The participating fund invests in a broad range of assets, including equities and corporate bonds, to provide long-term investment return, in the form of reversionary and terminal bonuses to participating policies. Investments in these assets may be subject to market fluctuations and thus affect the Company's ability to declare bonuses as originally illustrated.

Life insurance non-par contracts

For non-par contracts that are protection-based, they usually do not acquire surrender values and thus the Company's exposure to movements in interest rates and market value is limited.

For annuity contracts and universal life contracts, the duration of the liability is usually longer than the duration of the assets available in the market. As such, the Company is exposed to the risk of interest rates fluctuation.

Investment-linked contracts

For investment-linked contracts, the investment risk is largely passed on to the policyholders. As a result, the Company is not directly exposed to movements in interest rates and market values of the underlying assets.

The Company segregates the asset pool it manages into different funds. Each fund represents distinct characteristics in its objectives and the nature and term of its liabilities. The investment objective for each fund is to maximise the returns including capital gains, having regard to the nature and term of the liabilities, the fund's financial strength, the desired level of risk, and any tax, statutory and regulatory constraints.

The Company establishes target asset portfolios for each fund, which represents the investment strategies used to profitably meet the liabilities from products written in the fund within acceptable levels of risk. Performance benchmarks are agreed for each fund and asset class where there is an appropriate and liquid benchmark available.

The Company's exposure to market risk for changes in interest rates is concentrated in its investment portfolio and insurance contract liabilities. Changes in investment values attributable to interest rate changes are mitigated by partially offsetting changes in the value of insurance contract liabilities. The overall objective of these asset/liability matching strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements.

Stochastic simulations are commonly performed on the major participating sub-funds to investigate into the risks of not being able to meet the liabilities and statutory solvency under various investment strategies. The amounts and timing of payments to or on behalf of policyholders for insurance contract liabilities are regularly evaluated to ensure that matching and liquidity needs of each fund are taken into account in the investment strategy adopted. The projections of these cash flows may involve subjective assumptions and such subjectivity could impact the Company's ability to achieve its ALM objectives.

The table below presents the interest rate exposure of the Company's assets and liabilities:

	Fixed rate $'000	Floating rate $'000	Non-interest sensitive $'000	Total $'000
2018				
Assets				
Equity securities	–	–	5,083,437	5,083,437
Debt securities	8,312,756	806,578	–	9,119,334
Collective investment schemes	–	–	21,684,411	21,684,411
Derivative financial instruments	–	–	121,880	121,880
Loans and receivables	527,000	–	130,454	657,454
Reinsurers' share of insurance contract liabilities	–	–	927,062	927,062
Insurance and other receivables	–	–	265,332	265,332
Cash and cash equivalents	708,788	–	–	708,788
	9,548,544	806,578	28,212,576	38,567,698
Liabilities				
Gross insurance contract liabilities (including investment contracts with DPF)	(8,023,882)	(1,377,250)	(23,464,819)	(32,865,951)
Insurance and other payables	(1,996,767)	–	(1,268,286)	(3,265,053)
Derivative financial instruments	–	–	(62,922)	(62,922)
	(10,020,649)	(1,377,250)	(24,796,027)	(36,193,926)
2017				
Assets				
Equity securities	–	–	6,236,021	6,236,021
Debt securities	6,669,035	893,412	–	7,562,447
Collective investment schemes	–	–	21,298,481	21,298,481
Derivative financial instruments	–	–	153,895	153,895
Loans and receivables	543,880	–	131,064	674,944
Reinsurers' share of insurance contract liabilities	–	–	1,093,219	1,093,219
Insurance and other receivables	–	–	281,383	281,383
Cash and cash equivalents	1,104,507	–	–	1,104,507
	8,317,422	893,412	29,194,063	38,404,897
Liabilities				
Gross insurance contract liabilities (including investment contracts with DPF)	(6,797,883)	(1,654,719)	(24,128,478)	(32,581,080)
Insurance and other payables	(1,869,998)	–	(1,475,245)	(3,345,243)
Derivative financial instruments	–	–	(68,298)	(68,298)
	(8,667,881)	(1,654,719)	(25,672,021)	(35,994,621)

(ii) Foreign currency risk

The Company faces foreign currency risk, primarily because some of its investments in equity securities, debt securities and collective investment schemes are held in currencies other than Singapore Dollars to improve the diversification of its portfolio, while almost all its liabilities are denominated in Singapore Dollar (SGD). Other than SGD, the currencies in which these transactions are denominated are United States Dollar (USD), Euro (EUR) and Hong Kong Dollar (HKD).

Apart from natural offsets where the assets and liabilities are denominated in the same currency, the Company adopts the approach of hedging the currency risk of investments that generate stable cash flows. Currency risk derived from investments in foreign equities is generally not hedged.

The Insurance (Valuation and Capital) Regulations prescribe the capital requirement to be held in respect of concentration risk from foreign currency mismatch between assets and liabilities.

The following table presents the main currency exposure as of the reporting date, in Singapore Dollar equivalents:

	SGD $'000	USD $'000	EUR $'000	HKD $'000	Others $'000	Total $'000
2018						
Assets						
Property and equipment	78,516	–	–	–	–	78,516
Intangible assets	295,805	–	–	–	–	295,805
Investments and loans						
- Equity securities	2,310,842	218,239	–	953,592	1,600,764	5,083,437
- Debt securities	8,127,231	880,181	34,330	27,337	50,255	9,119,334
- Collective investment schemes	7,358,625	10,686,209	2,969,348	55,011	615,218	21,684,411
- Derivative financial instruments	6,353,108	(3,857,350)	(1,605,231)	(26,595)	(742,052)	121,880
- Loans and receivables	640,822	14,489	518	200	1,425	657,454
Reinsurers' share of insurance contract liabilities	28,637	898,425	–	–	–	927,062
Insurance and other receivables	243,061	21,823	–	251	197	265,332
Cash and cash equivalents	277,356	396,782	13,804	263	20,583	708,788
	25,714,003	9,258,798	1,412,769	1,010,059	1,546,390	38,942,019
Liabilities						
Gross insurance contract liabilities (including investment contracts with DPF)	(30,882,931)	(1,983,020)	–	–	–	(32,865,951)
Insurance and other payables	(3,094,961)	(158,301)	(1,263)	(8,035)	(2,493)	(3,265,053)
Derivative financial instruments	1,878,659	(1,593,735)	(293,619)	–	(54,227)	(62,922)
Provision for tax	(64,083)	–	–	–	–	(64,083)
Deferred tax liabilities	(1,403,929)	–	–	–	–	(1,403,929)
	(33,567,245)	(3,735,056)	(294,882)	(8,035)	(56,720)	(37,661,938)

	SGD $'000	USD $'000	EUR $'000	HKD $'000	Others $'000	Total $'000
2017						
Assets						
Property and equipment	51,895	–	–	–	–	51,895
Intangible assets	304,884	–	–	–	–	304,884
Investments and loans						
- Equity securities	3,123,992	266,514	10,600	1,067,427	1,767,488	6,236,021
- Debt securities	6,571,133	874,874	37,283	26,944	52,213	7,562,447
- Collective investment schemes	7,583,778	10,056,948	3,013,544	165,873	478,338	21,298,481
- Derivative financial instruments	6,120,964	(5,072,896)	(662,388)	(25,711)	(206,074)	153,895
- Loans and receivables	621,901	51,183	596	197	1,067	674,944
Reinsurers' share of insurance contract liabilities	131,155	962,064	–	–	–	1,093,219
Insurance and other receivables	222,998	56,279	–	2,106	–	281,383
Cash and cash equivalents	818,153	257,609	882	8,863	19,000	1,104,507
	25,550,853	7,452,575	2,400,517	1,245,699	2,112,032	38,761,676
Liabilities						
Gross insurance contract liabilities (including investment contracts with DPF)	(30,719,234)	(1,861,846)	–	–	–	(32,581,080)
Insurance and other payables	(3,214,650)	(115,802)	–	(6,257)	(8,534)	(3,345,243)
Derivative financial instruments	1,630,993	(530,741)	(738,469)	–	(430,081)	(68,298)
Provision for tax	(66,960)	–	–	–	–	(66,960)
Deferred tax liabilities	(1,391,602)	–	–	–	–	(1,391,602)
	(33,761,453)	(2,508,389)	(738,469)	(6,257)	(438,615)	(37,453,183)

Sensitivity analysis

The sensitivity analysis below is performed to assess the impact on profit, equity, investments and loans, and insurance contract liabilities by changes in each major type of market risk which the Company is exposed to:

Variable	Change in profit 2018 $'000	Change in equity 2018 $'000	Change in profit 2017 $'000	Change in equity 2017 $'000
Equity prices				
+10%	8,784	7,291	10,067	8,355
-10%	(9,179)	(7,618)	(8,939)	(7,420)
Interest rates				
+10 basis points	(10,112)	(8,393)	(16,000)	(13,280)
-10 basis points	9,498	7,883	2,592	2,152
Foreign currency				
+5%	15	13	14	11
-5%	(15)	(13)	(14)	(11)

The change in profit/equity takes into account the effect of income taxation of the change in profit.

Variable	Change in investments and loans 2018 $'000	Change in gross insurance contract liabilities 2018 $'000	Change in investments and loans 2017 $'000	Change in gross insurance contract liabilities 2017 $'000
Equity prices				
+10%	908,038	899,253	976,657	966,590
-10%	(908,074)	(898,896)	(976,538)	(976,598)
Interest rates				
+10 basis points	(142,345)	(132,233)	(119,007)	(103,007)
-10 basis points	142,349	132,850	119,009	116,416
Foreign currency				
+5%	371,095	371,080	395,894	395,880
-5%	(371,095)	(371,080)	(395,894)	(395,880)

The above analyses are based on a change in a variable while holding all other variables and assumptions constant. In practice, this is unlikely to occur as changes in variables may be correlated and will have a significant effect in determining the ultimate fair value of the financial assets.

(iii) Liquidity risk

Liquidity risk is the risk of the Company being unable to generate sufficient cash resources or raise finance to meet financial obligations as they fall due in business as usual and stress scenarios. Liquidity management seeks to ensure that, even under adverse conditions, the Company has access to the funds necessary to cover surrenders, withdrawals and maturing liabilities.

In practice, most of the Company's invested assets are marketable securities. This, combined with the positive net cash flows, reduces the liquidity risk.

The following table shows the Company's financial liabilities and insurance liabilities with the remaining contractual maturities:

	Unit-linked $'000	Within one year $'000	After one year but within five years $'000	After five years $'000	Total $'000
2018					
Gross insurance contract liabilities (including investment contracts with DPF)	9,730,406	991,479	4,739,258	17,404,808	32,865,951
Insurance and other payables	–	3,238,378	26,675	–	3,265,053
Derivative financial instruments	3,081	57,601	2,240	–	62,922
	9,733,487	4,287,458	4,768,173	17,404,808	36,193,926
2017					
Gross insurance contract liabilities (including investment contracts with DPF)	10,383,350	935,285	4,476,605	16,785,840	32,581,080
Insurance and other payables	–	3,323,821	21,422	–	3,345,243
Derivative financial instruments	145	64,460	3,693	–	68,298
	10,383,495	4,323,566	4,501,720	16,785,840	35,994,621

The contractual maturities of policies under unit-linked business are on demand as policyholders can surrender anytime.

(iv) Credit risk

Credit risk is the risk of loss for the business or of adverse change in the statement of financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).

The Company is exposed to substantial credit risk through its investments and reinsurance arrangements. At the reporting date, there were no significant concentration of credit risk.

The maximum exposure to credit risk is represented by the aggregate carrying amount of all instruments from the same issuer.

The Company's exposure to credit risk relating to its debt securities, loans and receivables, other receivables, cash and cash equivalents and reinsurers' share of insurance contract liabilities is summarised below:

Credit ratings (from Standard & Poor's or equivalents)

	AAA $'000	AA+ to AA- $'000	A+ to A- $'000	BBB+ to BBB- $'000	Below BBB- or not rated $'000	Total $'000
2018						
Debt securities						
- Government bonds	4,914,071	51,264	53,091	11,493	830,903	5,860,822
- Corporate and other bonds	288,962	149,166	829,927	1,066,234	924,223	3,258,512
Loans and receivables*	–	–	–	–	657,454	657,454
Reinsurers' share of insurance contract liabilities	–	927,062	–	–	–	927,062
Other receivables*	–	38,876	4,096	–	222,360	265,332
Cash and cash equivalents*	–	88,361	615,323	–	5,104	708,788
	5,203,033	1,254,729	1,502,437	1,077,727	2,640,044	11,677,970
2017						
Debt securities						
- Government bonds	3,908,949	11,047	34,127	21,363	328,151	4,303,637
- Corporate and other bonds	273,859	180,083	875,808	1,109,788	819,272	3,258,810
Loans and receivables*	–	–	–	–	674,944	674,944
Reinsurers' share of insurance contract liabilities	–	1,093,219	–	–	–	1,093,219
Other receivables*	–	48,181	3,810	–	229,392	281,383
Cash and cash equivalents*	–	263,329	841,174	–	4	1,104,507
	4,182,808	1,595,859	1,754,919	1,131,151	2,051,763	10,716,500

* These are the financial assets that meet the SPPI conditions of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109.

The Company's investment policy sets limits on investments in bonds of different credit quality. The Company also imposes limits on each investment counterparty to control concentration risks.

Cash and deposits are placed with banks and financial institutions which are regulated and rated by rating agencies. Investments and transactions involving derivative financial instruments are allowed only with counterparties that are of high credit quality.

In addition, the Company accounts for credit risk by allowing for expected losses due to asset defaults in the determination of the premium rates for the products that will be supported by these assets.

The Insurance (Valuation and Capital) Regulations prescribe capital requirement to be held in respect of concentration risk from counterparty exposure.

For receivables arising from insurance and reinsurance contracts, none of the Company's receivables due from policyholders are past due (2017: none past due).

In accordance with the reinsurance management strategy, the Company maintains a panel of reinsurers that the Company is allowed to transact business with. The reinsurers must either be licensed or authorised to carry out reinsurance business in Singapore by MAS and are able to meet the minimum financial rating requirements before being selected. The Company monitors the aggregate exposure in terms of sum at risk reinsured to any one reinsurer according to internal risk limit.

(d) ESTIMATION OF FAIR VALUES

Equity securities, debt securities and collective investment schemes

The fair values of investments are based on current bid prices or last traded prices at the reporting date, obtained from the Company's custodian's external price sources such as Bloomberg. For investments for which prices are not readily available, quotes are obtained from brokers or issuing agents. At least two quotes will be obtained if available, to ensure the reasonableness of the quotes.

Derivative financial instruments

The fair value of derivative financial instruments is their indicative price at the reporting date as quoted by banks or brokers.

The fair value of forward exchange contracts and futures contracts is based on their quoted market price, if available. If a quoted market price is not available, then the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The table below sets out the notional amounts and valuations of the Company's derivative financial instruments. The valuation of derivative financial instruments reflects amounts which the Company expects to pay or receive to terminate the contracts or replace the contracts at their current market rates at the reporting date.

	Notional amount (Assets) $'000	Notional amount (Liabilities) $'000	Positive revaluation $'000	Negative revaluation $'000
2018				
Forward exchange contracts	6,789,475	2,469,662	103,176	(35,435)
Futures contracts	1,267,661	1,193,920	18,067	(23,240)
Currency swap contracts	36,012	82,234	637	(4,247)
	8,093,148	3,745,816	121,880	(62,922)
2017				
Forward exchange contracts	6,442,610	1,606,907	147,753	(60,292)
Futures contracts	582,820	235,326	4,634	(1,242)
Currency swap contracts	42,953	120,693	1,508	(6,764)
	7,068,383	1,962,926	153,895	(68,298)

Other financial assets and liabilities

The carrying amounts of other financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Fair value hierarchy

The table below analyses financial instruments carried at fair value with changes recognised in the statement of profit or loss and other comprehensive income, by classification. The different levels have been defined as follows:

Level 1:
quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2:
inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Financial assets and financial liabilities carried at fair value

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2018				
Equity securities	4,933,659	54,386	95,392	5,083,437
Debt securities	7,486,788	1,632,546	–	9,119,334
Collective investment schemes	20,195,878	1,408,092	80,441	21,684,411
Derivative financial assets	18,067	103,813	–	121,880
Derivative financial liabilities	(23,240)	(39,682)	–	(62,922)
	32,611,152	3,159,155	175,833	35,946,140
2017				
Equity securities	6,109,611	30,005	96,405	6,236,021
Debt securities	6,961,354	601,093	–	7,562,447
Collective investment schemes	19,904,029	1,319,470	74,982	21,298,481
Loans and receivables	–	–	36,776	36,776
Derivative financial assets	4,634	149,261	–	153,895
Derivative financial liabilities	(1,242)	(67,056)	–	(68,298)
	32,978,386	2,032,773	208,163	35,219,322

Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed

	Note	2018 $'000	2017 $'000
Cash and cash equivalents	11	708,788	1,104,507
Loans and receivables		657,454	638,168
Other receivables	10	109,186	143,473
Other payables	13	(539,515)	(546,527)
		935,913	1,339,621

Financial assets measured at fair value based on Level 3

	Equity securities $'000	Collective investment schemes $'000	Loans and receivables $'000	Total $'000
At 1 January 2018	96,405	74,982	36,776	208,163
Net (losses)/gains included in profit or loss for the year presented in investment income	(1,013)	(4,979)	874	(5,118)
Purchases	–	11,732	13,598	25,330
Sales	–	(1,294)	(51,248)	(52,542)
At 31 December 2018	95,392	80,441	–	175,833
At 1 January 2017	85,164	57,338	23,335	165,837
Net gains/(losses) included in profit or loss for the year presented in investment income	11,377	5,332	(2,040)	14,669
Purchases	–	14,418	15,481	29,899
Sales	(136)	(2,106)	–	(2,242)
At 31 December 2017	96,405	74,982	36,776	208,163

There were no transfers into or out of Level 3.

The following table shows the key valuation techniques and the key unobservable inputs used in the determination of fair value of the financial assets measured based on Level 3.

Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
The fair value is determined by adjusting the underlying property value, which forms part of the net asset value of the investment. The estimated fair value of the underlying property is determined by discounting the expected cash flows at a risk-adjusted discount rate which is considered appropriate for the inherent, observable risks within the cash flows.	Risk-adjusted discount rates used by the external licensed appraiser which reflect the nature, location and tenancy profile of the property together with current market investment criteria.	Fair value will increase if the risk adjusted discount rates decrease.
Valuation by independent valuer which uses discounted cash flow method for the Company's loans portfolio and market approach for over-the-counter instruments with adjustments for counterparty risk.	Risk adjusted discount rates that are not market determined.	Fair value will increase if the risk adjusted discount rates decrease.
Valuation by Net Asset Value of the fund.	Not applicable.	Not applicable.

Although the Company believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have immaterial effects on profit or loss and equity.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Company's statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as trade receivables and trade payables are not disclosed in the tables below unless they are offset in the statement of financial position.

The Company's derivative transactions that are not transacted on an exchange are mostly entered into under International Swaps and Derivatives Association (ISDA) Master Netting Agreements. In general, under such agreements, the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Company or the counterparties. In addition, the Company and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangements

	Note	Gross amounts of recognised financial assets/ (liabilities) $'000	Gross amounts of recognised financial assets/ (liabilities) offset in the statement of financial position $'000	Net amounts of financial assets/ (liabilities) presented in the statement of financial position $'000	Related amounts not offset in the statement of financial position – Financial instruments $'000	Net amount $'000
2018						
Financial assets						
Amount due from related companies (non-insurance)	10	10,667	(10,548)	119	–	119
Other receivables	10	92,965	–	92,965	(40,954)	52,011
		103,632	(10,548)	93,084	(40,954)	52,130
Financial liabilities						
Amount due to related companies (non-insurance)	13	(49,475)	10,548	(38,927)	–	(38,927)
Other payables and accrued expenses	13	(325,095)	–	(325,095)	40,954	(284,141)
		(374,570)	10,548	(364,022)	40,954	(323,068)
2017						
Financial assets						
Amount due from related companies (non-insurance)	10	7,637	(7,357)	280	–	280
Other receivables	10	93,709	–	93,709	(24,838)	68,871
		101,346	(7,357)	93,989	(24,838)	69,151
Financial liabilities						
Amount due to related companies (non-insurance)	13	(35,138)	7,357	(27,781)	–	(27,781)
Other payables and accrued expenses	13	(354,490)	–	(354,490)	24,838	(329,652)
		(389,628)	7,357	(382,271)	24,838	(357,433)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statement of financial position that are disclosed in the above tables are measured in the statement of financial position on the following basis:

- receivables and payables – amortised cost.

The amounts in the above tables that are offset in the statement of financial position are measured on the same basis.

6 PROPERTY AND EQUIPMENT

	Freehold property $'000 Cost	Leasehold property $'000 Valuation	Office equipment $'000 Cost	Computer equipment $'000 Cost	Motor vehicles $'000 Cost	Office renovations $'000 Cost	Total $'000
Cost/Valuation							
At 1 January 2017	1,440	32,000	2,831	50,887	548	27,704	115,410
Additions	–	–	201	8,711	–	4,653	13,565
Disposals	(1,440)	–	(25)	(2,794)	–	–	(4,259)
Gain on revaluation	–	1,526	–	–	–	–	1,526
Reversal of depreciation on revaluation	–	(1,026)	–	–	–	–	(1,026)
At 31 December 2017	–	32,500	3,007	56,804	548	32,357	125,216
Additions	–	–	2,046	33,586	846	16,878	53,356
Disposals	–	–	(26)	(2,647)	(261)	(10,989)	(13,923)
Gain on revaluation	–	1,877	–	–	–	–	1,877
Reversal of depreciation on revaluation	–	(1,077)	–	–	–	–	(1,077)
At 31 December 2018	–	33,300	5,027	87,743	1,133	38,246	165,449
Accumulated depreciation							
At 1 January 2017	691	–	1,698	40,376	352	15,250	58,367
Depreciation charge for the year	12	1,026	694	8,796	57	7,918	18,503
Disposals	(703)	–	–	(1,820)	–	–	(2,523)
Reversal of depreciation on revaluation	–	(1,026)	–	–	–	–	(1,026)
At 31 December 2017	–	–	2,392	47,352	409	23,168	73,321
Depreciation charge for the year	–	1,077	583	18,403	244	5,976	26,283
Disposals	–	–	(22)	(485)	(261)	(10,826)	(11,594)
Reversal of depreciation on revaluation	–	(1,077)	–	–	–	–	(1,077)
At 31 December 2018	–	–	2,953	65,270	392	18,318	86,933
Carrying amounts							
At 1 January 2017	749	32,000	1,133	10,511	196	12,454	57,043
At 31 December 2017	–	32,500	615	9,452	139	9,189	51,895
At 31 December 2018	–	33,300	2,074	22,473	741	19,928	78,516

An independent valuation of the leasehold property was carried out by Knight Frank Pte Ltd, a firm of independent professional valuers that has appropriate recognised professional qualifications and recent experience in the location and category of the properties being revalued, at open market values on 31 December 2018. The valuation has been made on the assumption that the property is sold in the open market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any similar arrangement which would serve to increase the value of the property. It is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature which would affect its value. The leasehold property is classified as Level 2 in the fair value hierarchy.

$1,877,000 (2017: $1,526,000) of revaluation gain was credited to the revaluation reserve.

The approximate carrying amount of leasehold property would have been $13,298,000 (2017: $13,787,000) had the leasehold property been carried under the cost method.

Property and equipment are non-current assets.

7 INTANGIBLE ASSETS

	Goodwill $'000	Acquired value in-force business $'000	Others $'000	Total $'000
Cost				
At 1 January 2017	231,279	29,787	108,103	369,169
Net additions	–	–	11,646	11,646
At 31 December 2017	231,279	29,787	119,749	380,815
Net disposals	–	–	(11,297)	(11,297)
At 31 December 2018	231,279	29,787	108,452	369,518
Accumulated amortisation				
At 1 January 2017	–	10,425	47,498	57,923
Net amortisation charge for the year	–	1,489	16,519	18,008
At 31 December 2017	–	11,914	64,017	75,931
Net amortisation charge/ (reversal) for the year	–	1,490	(3,708)	(2,218)
At 31 December 2018	–	13,404	60,309	73,713
Carrying amounts				
At 1 January 2017	231,279	19,362	60,605	311,246
At 31 December 2017	231,279	17,873	55,732	304,884
At 31 December 2018	231,279	16,383	48,143	295,805

GOODWILL AND ACQUIRED VALUE IN-FORCE BUSINESS

Goodwill is tested for impairment by comparing the CGU (the Company's in-force business) carrying amount, including any goodwill, with its recoverable amount. Management compares the aggregate of net asset value and goodwill of the acquired life business with the aggregate of the net asset value and the present value of in-force business to determine whether there is any impairment. The present value of in-force business, which represents the profits that are expected to emerge from the insurance business is calculated based on the European Embedded Value Principles issued by the CFO Forum, using best estimate actuarial assumptions for mortality, morbidity, persistency and expenses as described in Note 4 and the following economic assumptions with no additional provision for any adverse deviation from the best estimate experience in the valuation assumptions:

(i) Discount rates

Discount rates are determined by adding a risk margin to the appropriate risk-free rate of return. The discount rates applied to the insurance funds ranged from 2.81% to 5.96% (2017: 2.81% to 6.05%).

(ii) Investment returns

Investment returns are generally based on a combination of current market data. The investment returns applied to different asset classes ranged from 1.30% to 8.57% (2017: 1.26% to 8.53%).

OTHERS

Others represent amounts paid to third parties under certain distribution agreements and agency development expenses.

Intangible assets are non-current assets.

8 INVESTMENTS AND LOANS

	Note	2018 $'000	2017 $'000
Financial assets designated at fair value through profit or loss			
Equity securities			
- Listed equity securities		4,988,045	6,139,616
- Unlisted equity securities		95,392	96,405
		5,083,437	6,236,021
Debt securities			
- Government bonds		5,860,822	4,303,637
- Listed corporate and other bonds		3,020,737	3,006,173
- Unlisted corporate and other bonds		237,775	252,637
		9,119,334	7,562,447
Collective investment schemes		21,684,411	21,298,481
Derivative financial instruments	5(d)	121,880	153,895
Loans and receivables			
Investment income receivables		130,450	131,064
Policy loans		527,004	507,104
Corporate loan		–	36,776
		657,454	674,944
Total investments and loans		36,666,516	35,925,788
Current portion		28,555,931	28,396,845
Non-current portion		8,110,585	7,528,943
		36,666,516	35,925,788

Included in the investments above are financial assets which have been lent out to third parties. The Company currently participates in a securities lending programme, whereby securities are lent to the lending agent's approved borrowers in return for a fee. These transactions are conducted under terms and conditions that are usual and customary to standard securities lending arrangements.

The loaned securities are not derecognised; rather, they continue to be recognised within the appropriate investment classification. The Company's policy is that collateral in excess of 100 per cent of the fair value of securities loaned is required from all securities' borrowers and typically consists of short-term time deposits and money market instruments. The collateral and corresponding obligation to return such collateral are recognised in the statement of financial position.

The fair values of the assets on loan and collateral under the securities lending programme are as follow:

Fair value of assets on loan		Fair value of collateral		Collateral as a % of assets on loan	
2018 $'000	**2017** $'000	**2018** $'000	**2017** $'000	**2018** %	**2017** %
88,925	5,016	93,371	5,267	105	105

Policy loans are mainly loans secured by the cash surrender values of the relevant policies. No portion of the balance was included as part of the receivables less than twelve months as it is not practicable to determine such portion with sufficient reliability given that the loans have no fixed terms of repayment.

Corporate loan comprises an infrastructure loan which was sold during the year.

9 REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	2018 $'000	2017 $'000
Reinsurers' share of insurance contract liabilities	927,062	1,093,219

The movement of reinsurers' share of insurance contract liabilities is as follows:

	2018 $'000	2017 $'000
At 1 January	1,093,219	888,315
(Decrease)/increase in reinsurers' share of insurance contract liabilities	(166,157)	204,904
At 31 December	927,062	1,093,219
Current portion	–	120,350
Non-current portion	927,062	972,869
	927,062	1,093,219

10 INSURANCE AND OTHER RECEIVABLES

	2018 $'000	2017 $'000
Receivables arising from insurance and reinsurance contracts:		
- Due from policyholders	100,315	100,436
- Due from agents	18,895	22,435
- Due from reinsurers	26,869	2,507
	146,079	125,378
Prepayments	10,067	12,532
Other receivables:		
- Amounts due from related companies (non-insurance)	119	280
- Other receivables	92,965	93,709
- Collateral deposits placed with financial institutions	16,102	49,484
	109,186	143,473
	265,332	281,383
Current portion	264,580	280,931
Non-current portion	752	452
	265,332	281,383

Amounts due from related companies (non-insurance) are unsecured, interest-free and have no fixed terms of repayment. There is no allowance for doubtful debts arising from these receivables (2017: nil).

11 CASH AND CASH EQUIVALENTS

	2018 $'000	2017 $'000
Cash at bank and in hand	374,900	485,987
Short-term time deposits	209,296	502,004
	584,196	987,991
Cash collateral received	124,592	116,516
	708,788	1,104,507

The effective interest rate on short-term time deposits was 1.34% (2017: 0.95%) per annum and the deposits have an average maturity of less than 2 days (2017: less than 25 days).

Cash collateral received represents bank balances received under the securities lending programme (see Note 8) and derivatives transactions.

12 GROSS INSURANCE CONTRACT LIABILITIES

	Note	2018 $'000	2017 $'000
Long term insurance contracts:			
- Life insurance par contracts	12(i)	20,164,772	18,982,280
- Life insurance non-par contracts	12(ii)	2,757,285	2,980,025
- Investment-linked contracts			
• Unit reserves	12(iii)	9,730,406	10,383,350
• Non-unit reserves	12(iv)	13,761	16,344
		32,666,224	32,361,999
Provision for outstanding claims		190,155	172,725
Total insurance contract liabilities		32,856,379	32,534,724
Long term investment contracts:			
- Life investment contracts with DPF	12(v)	9,572	46,356
Total insurance contract liabilities (including investment contracts with DPF)		**32,865,951**	**32,581,080**
Current portion		190,155	172,725
Non-current portion		32,675,796	32,408,355
		32,865,951	**32,581,080**

Included in the life insurance par contracts (including life investment contracts with DPF) is:

- an amount of $800.9 million (2017: $818.8 million) relating to accumulated capital injections from the Prudential Worldwide Long-Term Estate (the "Estate") and accumulated investment returns since 1988; and
- a provision for current year policyholder bonuses of $415.0 million (2017: $388.2 million).

MOVEMENTS IN INSURANCE CONTRACT LIABILITIES

(i) Life insurance par contracts

	2018 $'000	2017 $'000
At 1 January	18,982,280	16,145,300
Premiums received, net of reinsurance	3,579,286	2,995,088
Claims and surrenders	(1,292,251)	(1,291,160)
Expenses:		
- Operating	(544,638)	(505,302)
- Non-operating	(66,571)	(60,593)
Movement in deferred tax	(13,150)	(255,093)
Income:		
- Investment income	(399,759)	2,039,365
- Other expense	(31,455)	(39,507)
Transfer to shareholders' fund	(48,970)	(45,818)
At 31 December	20,164,772	18,982,280

(ii) Life insurance non-par contracts

	2018 $'000	2017 $'000
At 1 January	2,980,025	2,796,040
Valuation premiums	28,426	31,646
Liabilities released for payments on death and other terminations	(289,287)	(279,811)
Accretion of interest	42,074	73,657
Other movements	24,829	232,834
New business	77,187	109,986
Change in valuation basis:		
- Discount rate	(105,073)	34,278
- Others	(896)	(18,605)
At 31 December	2,757,285	2,980,025

As defined in the accounting policies Note 3(c)(iii), valuation premiums are the amount of premiums received that have a direct impact of increasing the insurance contract liabilities.

Included in the Change in valuation basis – Others for 2017 is the impact of the removal of surrender value in estimating universal life contract liabilities amounting to $0.2 million. It is impracticable to estimate the effect on future periods.

(iii) Investment-linked contracts (unit reserves)

	2018 $'000	2017 $'000
At 1 January	10,383,350	9,007,435
Premiums received	1,244,836	1,254,695
Fees deducted from account balances of investment-linked contracts	(317,929)	(332,606)
Liabilities released for payments on death, surrender and other terminations	(859,622)	(1,164,161)
Changes in unit prices	(716,327)	1,621,148
Other movements	(3,902)	(3,161)
At 31 December	9,730,406	10,383,350

(iv) Investment-linked contracts (non-unit reserves)

	2018 $'000	2017 $'000
At 1 January	16,344	28,955
Premiums received	3,008	8,521
Fees deducted from account balances	(4,024)	1,310
Liabilities released for payments on death, surrender and other terminations	(355)	(238)
Accretion of interest	24	(62)
Changes in unit prices (within insurance benefits)	1,068	(914)
New business	(2,574)	(2,979)
Change in valuation basis:		
- Discount rate	247	(184)
- Others	23	(18,065)
At 31 December	13,761	16,344

Included in the Change in valuation basis – Others for 2017 is the impact of the refinement of reserving basis for certain investment-linked contracts amounting to $20.4 million. It is impracticable to estimate the effect on future periods.

(iv) Life investment contracts with DPF

	2018 $'000	2017 $'000
At 1 January	46,356	86,371
Claims and surrenders	(31,142)	(41,769)
Investment income	206	3,497
Others	(5,848)	(1,743)
At 31 December	9,572	46,356

13 INSURANCE AND OTHER PAYABLES

	Note	2018 $'000	2017 $'000
Payables arising from insurance and reinsurance contracts:			
- Insurance contract payables		2,072,485	1,929,721
- Reinsurance payables		653,053	868,995
		2,725,538	2,798,716
Other payables:			
- Provision for agency expenses		19,375	18,338
- Share-based payment liability	29	31,526	29,402
- Amount due to related companies (non-insurance)		38,927	27,781
- Cash collateral received	11	124,592	116,516
- Other payables and accrued expenses		325,095	354,490
		539,515	546,527
		3,265,053	3,345,243
Current portion		3,238,378	3,323,821
Non-current portion		26,675	21,422
		3,265,053	3,345,243

Amounts due to related companies (non-insurance) are unsecured, interest-free and repayable on demand.

Share-based payment liability relates to share-based award plans created and designed to provide benefits to advisors, senior management and retirement needs of long serving advisors.

14 FINANCIAL LIABILITIES

	Note	2018 $'000	2017 $'000
Derivative financial instruments	5(d)	62,922	68,298
Current portion		60,682	64,606
Non-current portion		2,240	3,692
		62,922	68,298

15 DEFERRED TAX LIABILITIES

	Note	2018 $'000	2017 $'000
At 1 January		1,391,602	1,138,024
Net provision made during the year	27	12,327	253,578
At 31 December		1,403,929	1,391,602

Deferred tax (assets)/liabilities, determined after appropriate offsetting, are attributable to the following:

	Assets		Liabilities		Net	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Short-term timing differences	(5,052)	(4,051)	–	–	(5,052)	(4,051)
Capital allowances for property and equipment	–	–	2,373	988	2,373	988
Tax on future distributions	–	–	1,406,608	1,394,665	1,406,608	1,394,665
Deferred tax (assets)/liabilities	(5,052)	(4,051)	1,408,981	1,395,653	1,403,929	1,391,602

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

Deferred tax (assets)/liabilities are non-current.

16 SHARE CAPITAL

	2018 No. of shares ($'000)	2017 No. of shares ($'000)
Fully paid ordinary shares		
At the beginning and at the end of the year	526,557	526,557

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

17 RESERVES

	Note	2018 $'000	2017 $'000
Capital contribution reserve		–	1,020
Revaluation reserve	6	18,658	16,781
		18,658	17,801

The capital contribution reserve comprises the cumulative value of equity settled share-based payments for employee services received. Upon expiry of options, reserves relating to the expired options will be transferred to accumulated surplus.

The revaluation reserve relates to the revaluation of leasehold property.

18 ACCUMULATED SURPLUS

Included in the accumulated surplus are amounts the Company maintains for solvency purposes, which is higher than the regulatory minimum requirement. Under the Insurance (Valuation and Capital) Regulations governing the risk-based capital framework for insurers, each insurance fund is required to maintain a minimum of 100% of regulatory risk capital and capital adequacy of at least 120% or otherwise prescribed by MAS.

DIVIDENDS

The following dividends were declared and paid by the Company:

	2018 $'000	2017 $'000
Interim dividends		
$0.48 (2017: $0.48) per qualifying share	250,200	250,200

19 CLASSIFICATION AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	Note	Designated at fair value $'000	Trading $'000	Loans and receivables $'000	Other financial liabilities $'000	Total carrying amount $'000	Fair value $'000
2018							
Financial assets							
Investments and loans							
- Equity securities	8	5,083,437	–	–	–	5,083,437	5,083,437
- Debt securities	8	9,119,334	–	–	–	9,119,334	9,119,334
- Collective investment schemes	8	21,684,411	–	–	–	21,684,411	21,684,411
- Derivative financial instruments	8	–	121,880	–	–	121,880	121,880
- Loans and receivables*	8	–	–	657,454	–	657,454	657,454
Other receivables*	10	–	–	109,186	–	109,186	109,186
Cash and cash equivalents*	11	–	–	708,788	–	708,788	708,788
		35,887,182	121,880	1,475,428	–	37,484,490	37,484,490
Financial liabilities							
Other payables	13	–	–	–	(539,515)	(539,515)	(539,515)
Derivative financial instruments	14	–	(62,922)	–	–	(62,922)	(62,922)
		–	(62,922)	–	(539,515)	(602,437)	(602,437)
2017							
Financial assets							
Investments and loans							
- Equity securities	8	6,236,021	–	–	–	6,236,021	6,236,021
- Debt securities	8	7,562,447	–	–	–	7,562,447	7,562,447
- Collective investment schemes	8	21,298,481	–	–	–	21,298,481	21,298,481
- Derivative financial instruments	8	–	153,895	–	–	153,895	153,895
- Loans and receivables*	8	36,776	–	638,168	–	674,944	674,944
Other receivables*	10	–	–	143,473	–	143,473	143,473
Cash and cash equivalents*	11	–	–	1,104,507	–	1,104,507	1,104,507
		35,133,725	153,895	1,886,148	–	37,173,768	37,173,768
Financial liabilities							
Other payables	13	–	–	–	(546,527)	(546,527)	(546,527)
Derivative financial instruments	14	–	(68,298)	–	–	(68,298)	(68,298)
		–	(68,298)	–	(546,527)	(614,825)	(614,825)

* These are the financial assets that meet the SPPI conditions of FRS 109, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of FRS 109.

20 NET INSURANCE PREMIUMS

	Insurance premiums		Reinsurance premiums		Net insurance premiums	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Life insurance par contracts	3,582,333	2,998,031	(3,047)	(2,943)	3,579,286	2,995,088
Life insurance non-par contracts	979,858	1,095,829	(23,287)	(306,680)	956,571	789,149
Investment-linked contracts	1,244,836	1,254,694	(9,638)	(9,530)	1,235,198	1,245,164
	5,807,027	5,348,554	(35,972)	(319,153)	5,771,055	5,029,401

21 FEES AND COMMISSION INCOME

	2018	2017
	$'000	$'000
Fee income	19,130	15,356
Reinsurance commission	67,252	5,215
	86,382	20,571

22 INVESTMENT (EXPENSE)/INCOME

	2018	2017
	$'000	$'000
Interest income		
- Debt securities	235,106	209,747
- Loans and receivables	32,631	31,061
- Cash and cash equivalents	3,903	3,957
Dividend income	442,193	364,251
Rental income	1,207	1,262
	715,040	610,278
Net realised gains and fair value changes on financial assets at fair value through profit or loss	(1,884,444)	3,229,254
Exchange losses	(2,049)	(17,944)
	(1,171,453)	3,821,588
Life insurance par contracts (including investment contracts with DPF)	(401,673)	2,028,347
Life insurance non-par contracts	(50,967)	165,732
Investment-linked contracts	(719,505)	1,624,479
Investment income from insurance operations	(1,172,145)	3,818,558
Shareholders' fund	692	3,030
	(1,171,453)	3,821,588

23 NET CLAIMS AND BENEFITS INCURRED

	2018 $'000	2017 $'000
Long-term insurance contracts		
Life insurance par contracts (including investment contracts with DPF)		
Net claims, maturity and surrender benefits	1,323,393	1,332,929
Increase in liabilities during the year	1,145,708	2,796,965
Reinsurers' share of (decrease)/increase in liabilities during the year	(394)	24,219
Life insurance non-par contracts		
Net claims, maturity and surrender benefits	553,458	618,443
(Decrease)/increase in liabilities during the year	(222,740)	183,985
Reinsurers' share of increase/(decrease) in liabilities during the year	166,551	(229,123)
Investment-linked contracts		
Net claims, maturity and surrender benefits	908,217	1,206,752
(Decrease)/increase in liabilities during the year	(655,527)	1,363,304
Shareholders' fund claims expenses		
Net claims, maturity and surrender benefits	21	32
	3,218,687	7,297,506

24 COMMISSION AND DISTRIBUTION COSTS

	2018 $'000	2017 $'000
Commission expenses	509,089	444,969
Other acquisition costs	170,380	149,875
	679,469	594,844

Included in commission expenses is $1,988,000 (2017: $2,140,000) of the share-based compensation expenses.

25 STAFF COSTS

	2018 $'000	2017 $'000
Salaries and benefits in kind	133,748	118,914
Contributions to Central Provident Fund	11,038	10,201
Share-based compensation expenses	3,250	6,879
	148,036	135,994

26 OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	2018 $'000	2017 $'000
Administrative expenses	25,616	20,868
Operational expenses	60,595	46,465
Advertising and promotional expenses	30,946	30,121
Investment expenses	118,359	111,416

27 TAXATION

	Note	2018 $'000	2017 $'000
Current tax expense			
Current year		72,667	72,452
Adjustment for prior periods		–	(3,133)
		72,667	69,319
Deferred tax expense			
Origination and reversal of temporary differences	15	12,327	253,578
Total income tax expense		84,994	322,897

The Company has estimated its tax charge and tax provision relating to the life assurance business based on the current tax legislation. These estimates may be different from the ultimate actual tax liability or refund, although the Company believes that the provision is prudent and appropriate.

	2018 $'000	2017 $'000
Reconciliation of effective tax charge		
Profit before tax	304,905	557,299
Income tax using domestic corporation tax rate of 17% (2017: 17%)	51,834	94,741
Taxation relating to insurance funds	52,957	254,439
Non-deductible expenses	7,586	3,194
Adjustment for prior periods	–	(3,133)
Non-taxable income	(25,871)	(28,862)
Others	(1,512)	2,518
	84,994	322,897

28 PROFIT/(LOSS) FOR THE YEAR BY FUNDS

	2018 $'000	2017 $'000
Life insurance par contracts (including investment contracts with DPF)	40,646	38,031
Life insurance non-par contracts	156,129	111,563
Investment-linked contracts	87,322	112,822
Shareholders' fund	(64,186)	(28,014)
	219,911	234,402

29 SHARE-BASED PAYMENT TRANSACTIONS

The Company has the following share-based payment arrangements:

SHARE-BASED COMPENSATION PLANS (EQUITY SETTLED)

There are three main groups of compensation plans which are described below:

(i) Prudential International Savings-Related Share Option Scheme

As at the reporting date, this scheme is no longer in effect and all options granted under this scheme had matured or been exercised. Consequently, during the year the capital contribution reserve relating to this scheme was transferred to accumulated profits.

Prudential Public Limited Company, the ultimate holding company of the Company, established the Prudential International Savings-Related Share Option Scheme in which employees may participate. This was a share save scheme where members of staff put a fixed amount of money into a saving plan over set periods of three or five years. At the end of those periods, they had the option to use the savings to buy Prudential Public Limited Company shares at the exercise price.

(ii) PRUShareplus Plan

In 2014, Prudential Holdings Limited, a wholly-owned subsidiary of Prudential Public Limited Company, established the PRUShareplus Plan, which replaces the Prudential International Savings-Related Share Option Scheme. Under the Plan, qualified employees can purchase Prudential Public Limited Company shares at market value each month. At the end of each scheme year, an additional matching share is awarded for every two shares purchased throughout the period. Dividend shares accumulate while the employee participates in the plan. The additional matching shares are not entitled to dividend shares. If the employee withdraws from the plan, or leaves the Group, the matching shares will be forfeited. The matching shares vest 12 months after the period.

(iii) Incentive plans issued from 2015 onwards

Prudential Public Limited Company, the ultimate holding company of the Company, established these plans to reward executive directors and senior management staff for delivering sustainable long-term returns for shareholders.

The incentive plans vest subject to the employee being in employment at the time. One of the plans also vests on the basis of the Group's relative Total Shareholder Return (TSR) performance against a peer group of international insurers. These are discretionary and on a year by year basis determined by the ultimate holding company's full year financial results and the employee's contribution to the business.

SHARE-BASED COMPENSATION PLANS (CASH SETTLED)

There are two main groups of compensation plans which are described below:

(i) Incentive plans issued before 2015

Prudential Public Limited Company, the ultimate holding company of the Company, established these plans to reward executive directors and senior management staff for delivering sustainable long-term returns for shareholders.

The incentive plans vest subject to the employee being in employment at the time. One of the plans also vests on the basis of the Group's relative Total Shareholder Return (TSR) performance against a peer group of international insurers. These are discretionary and on a year by year basis determined by the ultimate holding company's full year financial results and the employee's contribution to the business.

(ii) Non-employee share-based compensation plans

These are share-based compensation plans for non-employee advisors relating to the shares of its ultimate holding company, Prudential Public Limited Company. Every year, shares or cash equivalent, with minimum vesting period of three years or more, will be granted, on the basis of performance and subject to the individual continuing to be an advisor with the Company at the end of the vesting period.

The number and weighted average exercise price of share options and share awards are as follows:

	Weighted average exercise price $	2018 Number of options	2017 Number of options
Options outstanding			
At 1 January	18.06	3,660	1,996
- Transfer in	18.06	–	1,664
- Vested	18.06	(3,660)	–
- Withdrawn	18.06	–	–
At 31 December	18.06	–	3,660
Awards outstanding			
At 1 January		2,659,127	2,718,352
- Granted		853,857	500,967
- Vested		(500,484)	(494,661)
- Withdrawn		(8,394)	(65,531)
At 31 December		3,004,106	2,659,127

FAIR VALUE OF SHARE OPTIONS AND SHARE AWARDS

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured by the ultimate holding company based on Black Scholes option pricing model.

Fair value of share options and assumptions	Options granted on 20/9/2013
Fair value at measurement date ($)	7.43
Share price at grant date ($)	23.75
Exercise price ($)	18.06
Expected volatility	23.23%
Expected life	5 years
Expected dividend yield	2.73%
Risk-free interest rate	1.68%

The forecasted volatilities are based upon an analysis which provides a forecast essentially equivalent to an exponentially weighted average rate with the added refinement of incorporating regression towards the mean of the historical trend line. Volatility rates for intermediate points in time were obtained by interpolation.

Share options were granted under a service condition and a simulation study was used to assess the impact of the performance conditions of the ultimate holding company.

The share price at the date of exercise for share options exercised in 2018 was GBP14.02 (2017: GBP19.05).

	Note	2018 $'000	2017 $'000
Share-based compensation expense			
- Amount accounted for as cash settled		4,702	8,455
- Amount accounted for as equity settled		536	564
Carrying value at 31 December of liabilities arising from cash settled share-based payment transactions	13	31,526	29,402

30 COMMITMENTS

CAPITAL COMMITMENTS

	2018 $'000	2017 $'000
Contracted at the reporting date but not provided for	5,516	24,904

OPERATING LEASE COMMITMENTS

The Company leases a number of premises under operating leases. The leases typically run for a period of three to six years, with an option to renew the leases after those dates.

The Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2018 $'000	2017 $'000
Payable:		
- Within one year	31,854	26,250
- After one year but within five years	77,468	88,858
- After five years	2,299	10,483
	111,621	125,591

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, significant transactions between the Company and related parties are as follows:

	2018 $'000	2017 $'000
Charges for life administration and operation services rendered by related corporations	39,692	32,076
Charges for management services provided to immediate holding company	173	161
Charges for management services rendered by a related corporation	22,434	24,340
Recovery of expense by a related corporation	28,771	27,908
Investment management fees (net) paid to a related corporation	41,318	40,577
Recovery of expense from related corporations	1,582	2,473
Salaries and other short-term employee benefits to key management	10,117	7,044

32 CONTINGENCIES

In a suit commenced by the Company against an ex-agent, a counter-claim was made by the ex-agent. Based on the legal assessment, management believes that it is unlikely that there will be an outflow of future economic benefits as a result of this counter-claim. At the current stage of the suit, it is not practicable to estimate the potential financial effect of the contingent liability.