PRUDENTIAL

Listening. Understanding. Delivering.

ANNUAL REPORT

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ABOUT US

PRUDENTIAL ASSURANCE COMPANY SINGAPORE, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF UK-BASED PRUDENTIAL PLC, IS ONE OF SINGAPORE'S LEADING LIFE INSURANCE COMPANIES. WE ARE ONE OF THE MARKET LEADERS IN PROTECTION, SAVINGS AND INVESTMENT-LINKED PLANS, WITH S$43.1 BILLION FUNDS UNDER MANAGEMENT AS AT 31 DECEMBER 2019. IN TESTAMENT TO OUR FINANCIAL STRENGTH, WE HAVE AN 'AA-' FINANCIAL STRENGTH RATING FROM LEADING CREDIT RATING AGENCY STANDARD & POOR'S.

We have been serving the financial needs of Singapore for over 89 years, delivering a suite of product offerings through our network of 5,000 financial consultants and our bank partners. We are committed to helping Singaporeans to live well for longer through our focus on protection and prevention.

Prudential's corporate and small-and-medium-sized enterprise clients benefit from our specialised enterprise business solutions.

We also offer a dedicated advice and service-led offering, *Opus by Prudential*, to our High Net Worth customers.

We care about our customers and are committed to supporting them through the generations. Our 1,200 employees are focused on creating the best customer experiences and relentlessly pursue our purpose of innovating to help everyone live well.

2 CEO'S STATEMENT

Robust 2019 Performance

2019 was a pivotal year for us as we took steps to anchor the changes that we initiated at the start of our transformation journey three years ago. The changes we have made to reinforce our core business and distribution channels and to reimagine the future of insurance with a digitally-savvy workforce are bearing fruit. With this strong foundation in place we have been well-poised to accelerate our growth as we continue to meet the evolving needs of our customers.

With strong continued demand for our solutions and services, Prudential Singapore achieved a solid performance in 2019 with New Business Sales growing 8% to S$901 million and Regular Premium Sales rising 11% to S$735 million.

Total funds under management also increased 17% to S$43 billion.

We continue to be rated among the strongest insurers in Singapore with our 'AA-' Financial Strength Rating from Standard & Poor's.

Helping our customers live well for longer

Recognising that Singaporeans have one of the longest life expectancies in the world, we continued to develop *Ready for 100* solutions that offer coverage to age 100 to help our customers prepare for the future and to bridge their protection and retirement gaps.

Our strong performance in 2019 was driven by new protection and critical illness products launched to meet our customers' changing lifestyles. This included **PRU**Active Term, a first-of-its-kind plan which provides customers the flexibility of increasing their basic coverage amount annually without the need for a medical examination. We also launched **PRU**Active Life, a whole-of-life insurance plan that optimises coverage while accumulating cash value over time.

In August we introduced **PRU**Active Retirement a first-of-its-kind insurance savings plan that allows our customers to protect their retirement funds against the volatility of the financial markets.

These products build on the success of the **PRU**Active Saver plan which was the first in our **PRU**Active series of products to be launched in 2018, offering tailored policy durations and premium payment terms. It continues to be a key driver of the strong demand for our savings plans.

On the medical front, our claims-based pricing approach continues to yield positive results. As claims stabilised for our private **PRU**Shield plans, we have been able to reduce the rate of premium increase despite rising medical inflation. In April, we added to our Shield suite the **PRU**Extra Premier Co-Pay plan which offers one of the highest levels of coverage available in the market.

We also launched **PRU**Panel Connect, an exclusive programme for **PRU**Extra Premier customers to gain seamless access to quality healthcare at our hospital partners - Raffles Hospital and Mount Alvernia Hospital. Under the programme, customers enjoy perks such as cashless admission with an enhanced letter of guarantee of up to S$30,000 and concierge service.

Firing up twin-engine growth in HNW and Enterprise

We recognise the enormous potential in catering to the underserved High Net Worth (HNW) and enterprise segments, and continued to invest in growth opportunities in these two segments.

The HNW segment has grown steadily, alongside the increasing number of affluent Singaporeans. *Opus by Prudential*, our advice and service-led offering for HNW customers, has seen a 38 per cent growth in new customers over the past year.

To better serve customers in this segment, we handpicked more than 90 Private Wealth Consultants and trained more than 350 financial consultants to cater to their needs. They are supported by a team of Wealth Planners that provides advice on wealth protection and transfer plans, as well as subject matter experts in the areas of legal and estate planning, tax and business advisory.

Our Group Insurance business has really taken off, as we moved to a direct-sales model, established our Corporate Sales team catering to large enterprises, and empowered our Agency to serve the needs of small and medium-sized enterprises. The Enterprise Business segment delivered strong results in 2019, with an overall 22 per cent growth (excluding brokers) in sales compared to the year before while new business sales from the Agency Distribution channel increased by 50 per cent. We now provide coverage for more than 140,000 employees across 2,000 companies.

In addition to insurance, we offer value-added services that will help employees live well. One example is the newly launched *WorkPLAYce by Prudential*, a holistic wellness programme that helps employees of our corporate customers to take care of their health and wealth through a series of workshops.

As part of our efforts to help Singapore prepare for rising longevity, we announced in September that our group insurance plans covering hospital and surgical, outpatient medical and dental expenses will provide protection for employees up to the age of 100 years.

The Enterprise Business segment delivered strong results in 2019, with an overall 22 per cent growth (excluding brokers) in sales compared to the year before while new business sales from the Agency Distribution channel increased 50 per cent. We now provide coverage for more than 140,000 employees across 2,000 companies.

Developing our Agency and engaging partners for long-term success

Our 5,000 strong team of financial consultants (FCs) are a key customer engagement touchpoint for our business. To ensure a high standard of service is provided to our customers, we have rigorous learning and development programmes in place to ensure that our FCs are knowledgeable and well-placed to provide professional advice.

We also leverage technology to help our FCs with managing leads and sales better. This year, we launched **PRU**Force, a complete sales and leads management tool which will support FCs in engaging our customers more efficiently. We also made enhancements to **PRU**planner, our digital point of sales tool, to provide a holistic view of our customer's total insurance portfolio with Prudential. This makes the financial advisory process more seamless for both the FC and the customer.

Our bank partners too are vital to our continued success. In January 2019 we were pleased to extend our strategic alliance with United Overseas Bank (UOB), which commenced in 2010 to 2034, giving UOB's customers continued access to our market-leading product suite. We are equally committed to building on our strong relationship with Standard Chartered Bank in Singapore to service the insurance needs of their customers.

Making our plans and services more accessible to customers

Customers are at the centre of what we do, and we're guided by the principles of making things simple and seamless in the solutions and services that we provide them.

We have invested in several new technologies to transform the customer experience including a digital solution that allows customers to enjoy instant underwriting decisions. We also redesigned the Welcome Letters for our new customers to be more user-friendly with simpler language and to be mobile-friendly. This is part of an ongoing initiative to make all of our customer communications simpler.

To put health insurance in easy reach of our existing and new customers, we have made our **PRU**Shield private insurance plans available for

Passing the leadership baton at the February 2020 Staff Townhall (L-R) PCA Chief Executive, Nic Nicandrou, PACS CEO Wilf Blackburn, Incoming PACS CEO Dennis Tan and PCA Chief Executive, Insurance, Lilian Ng

purchase online. We are also collaborating with technology partners to build a digital health app called *Pulse by Prudential* to support people in their health and wellness journey, and to help them to prevent and postpone illness.

Developing a future-ready workforce

In 2019, we grew our workforce by 5 per cent to more than 1,200 employees to support our strategic initiatives. To boost our capabilities to grow our business, we expanded our talent pool in key areas including personnel for our enterprise business and medical portfolio, and our analytics and technology teams. We also invested in building our ethics and innovation teams.

Our aim is to create a work culture where people have opportunities to grow and flourish. We place strong emphasis on learning and coaching, and do this through online and offline learning platforms, internal mobility, talent development programmes and by promoting a culture of innovation and collaboration.

We recognise that our employees too will have a longer runway in both their lives and their careers. That is why we removed the retirement age at Prudential in 2018 so that our employees have the option of working for as long as they can contribute to our business. In 2019, we strengthened that proposition by raising the CPF contribution rates for older employees to help them be more financially ready for the future. We also extended the group medical coverage age limit to 100 for all employees.

Preparing everyone for a longer and multi-stage life

With rapid advancements in healthcare and medical technology, we can expect to live for much longer than previous generations. But we can only look forward to this if we know that we are ready to live well from a health and financial perspective for both ourselves and the community. To do this, we must change our mindsets to one that embraces the possibilities of a multi-stage life and look at all of life through a long-focus lens.

In 2019, we sought to bring about this mindset shift by partnering longevity experts such as Andrew Scott, Professor of Economics at London Business School and co-author of The 100-Year Life, as well as healthcare experts in Singapore to lay out a longevity agenda. And we shared our findings on the topic with our customers and the wider community at a number of conferences and dialogue sessions so that more people can start thinking about planning early for their future. We also ran campaigns to encourage Singaporeans to make healthier choices, whether it's to 'Do Siewdai' or to get more active with the 'Do Squats Challenge'.

In the wider community, we worked with various groups to help those who need a little extra support in life – vulnerable seniors and children. We also helped to develop a community of caregivers who were equipped with basic caregiving skills so they could provide respite care and support to existing caregivers and care recipients. Our employees and financial consultants contributed more than 5,500 hours of time in reaching out to more than 10,000 beneficiaries throughout the year.

Changing our perspective towards a longer life is an important first step for all of us as we help everyone to live well for longer and support each other in making living to 100 a positive experience for everyone.

Acknowledgements

I would like to extend my deepest thanks to the Board, my leadership team, agency leaders and financial consultants, bank partners and colleagues who contributed to our robust performance in 2019, and to our customers and shareholders for your support and confidence in us.

This marks my final year as CEO of Prudential Singapore. After more than three years at the helm, I will be moving to a regional role within the Prudential group overseeing its emerging growth markets.

Prudential Singapore has accomplished a lot in this short period of time. Transformation is not always easy, but with grit and conviction, and a strong sense of purpose, we have emerged stronger and more successful. I am proud of our collective achievements. The most rewarding part of the journey is that we did this together as a team, guided by our purpose and values, in building our unique culture and in re-energising the business.

I would like to wish the incoming Prudential Singapore CEO, Dennis Tan, the very best and continued success in leading this dynamic organisation. I have every confidence that under his leadership Prudential will continue to accelerate its growth and be at the forefront of our industry.

Wilf Blackburn
Chief Executive Officer

2 INCOMING CEO'S STATEMENT

I would like to express my thanks to the Prudential group for trusting me to lead Prudential Singapore into its next stage of accelerated growth. With my appointment confirmed on 9 March 2020, I am ready to take on the challenge of elevating an already highly successful business.

I am excited to be part of a market-leading company with a mandate to make a difference to the lives of people in Singapore. Insurance is critical to the protection, medical and savings needs of Singaporeans. The work that we do in bridging their coverage gap so they have a brighter future, is a noble one. We want Singaporeans to be *Healthy* and *Wealthy for 100* and we will continue to seize more opportunities to ensure our customers achieve this aim.

There are three things that I believe are very important to keep front and centre in our business – sales, service and standards. We must never focus on one at the expense of the other. In this way, we can build a balanced and sustainable business that is both growth-focused and customer-centric. We are committed to do what is right by all our stakeholders, and to operate our business in a responsible and sustainable manner.

I am excited to be part of a market-leading company with a mandate to make a difference to the lives of people in Singapore.

Prudential is a front-runner in the industry, thanks to the team's outstanding efforts in developing ground-breaking solutions for our customers and helping them to close their protection and retirement gaps.

Our employees and financial consultants are our strength and we will continue to invest in building their skills and capabilities so that they and our business can thrive. We will also continue to build on the strong relationship with our bank partners to continue serving the evolving insurance needs of Singaporeans.

We have a strong team here at Prudential, and I know we are going to go on to do great things together, as we innovate to help everyone live well.

Dennis Tan
Incoming Chief Executive Officer
(Appointed 9 March 2020)

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FINANCIAL HIGHLIGHTS

Annual Premium Equivalent

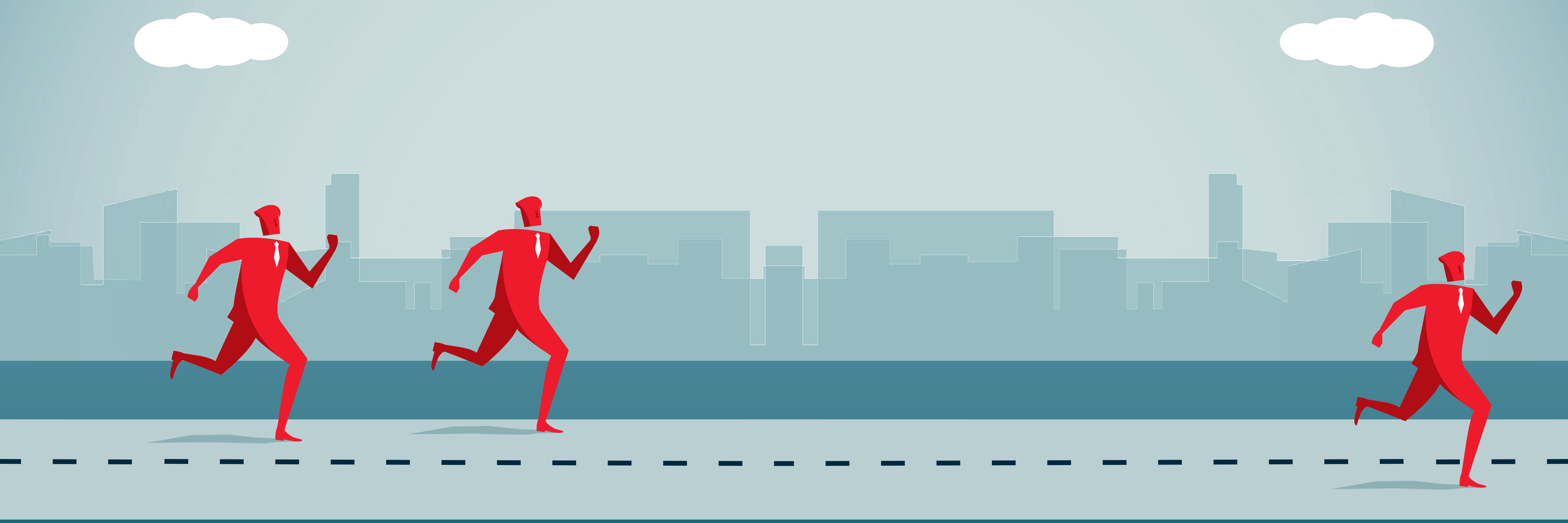
2019	S$901m
2018	S$830m
2017	S$795m

Total Funds Under Management

2019	S$43.1b
2018	S$36.7b
2017	S$36.3b

Capital Adequacy Ratio

2019	207%
2018	206%
2017	210%



GETTING SINGAPOREANS READY FOR A LONGER RUNWAY IN LIFE

Prudential Singapore is a leading life insurer in Singapore that has been serving the financial and protection needs of its citizens for more than 89 years.

We are led by our purpose of *innovating to help everyone live well*, as we support our customers in seizing the opportunities and meeting the challenges of rising longevity.

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.

Singaporeans have one of the longest life expectancies in the world, and it would not be surprising if many of us lived to be centenarians. At Prudential, we want to grow old with our customers, and to help them be *Healthy* and *Wealthy for 100*.

Close to one million customers look to us for advice in financially preparing for key life decisions like planning for a child's education or retirement, and ensuring they have adequate protection against uncertainties in life.

We support them through our suite of protection, medical, savings and retirement solutions as well as with quality service and advice from our 5,000 financial consultants and bancassurance partners.

Beyond insurance, we want to be a partner to our customers throughout their lifespans, to help them prepare for rising longevity and to keep body and mind fit so they may enjoy their golden years. We're investing in technology that will help our customers and community to do so with ease.

We are also 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.

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

We remain committed to bringing 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.

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

Strategic Framework

Our Purpose

Innovating to help everyone live well.

Our Aspiration

Let's provide awesome experiences for our customers, people and partners. By leading in innovation, we can rapidly make the greatest difference for all.

Our Values

Innovation. Collaboration. Accountability. Empowerment. Trust.

Our Strategy

Reinforce & Reimagine

Our Priorities

Groundbreaking for customers

Transforming our work

Innovating with communities

Our Employer Brand

Create something new

4.1 CUSTOMERS

> Recognising the need to help our customers to prepare for the future, we continued to focus on helping them bridge their protection and retirement gaps.

READY FOR 100

We launched a unique *Ready for 100* insurance solution, PRUActive Retirement, an insurance savings plan that allows our customers to protect their retirement funds against the volatility of the financial markets.

PRUActive Life, our new whole-of-life insurance plan optimises a customers' coverage while accumulating cash value over time.

For our corporate clients that have customised plans, we raised the medical insurance coverage for employees up to the age of 100 with effect from September 2019.

Our Group Insurance Business has grown from strength to strength and we now serve 140,000 employees through the 2000 companies that we insure.

Our PRUExtra Premier customers can now enjoy a cashless experience at admission with an enhanced letter of guarantee of up to S$30,000 when they visit our PruPanel Connect hospitals.

PRUActive Retirement allows our customers to adjust their payout period based on their changing needs and aspirations."

Helping Customers Meet Protection and Retirement Needs

Singaporeans are living longer and there is a need for them to be better prepared for their extended longevity. Half of the survey respondents to our *Prudential Ready for 100* research said that they were not prepared from a health or wealth perspective. Recognising the need to help our customer to prepare for the future, we continued to focus on helping them bridge their protection and retirement gaps.

To address their needs, we launched a new *Ready for 100* insurance solution, PRUActive Retirement, in August 2019. It is a first-of-its-kind insurance savings plan that allows our customers to protect their retirement funds against the volatility of the financial markets. The plan provides our customers with a higher retirement income when the market performs, and does not cut their payout when the market underperforms. It offers them the flexibility to decide how long they want to save, when they want to receive their first payout and for how long they want the monthly payout*. PRUActive Retirement allows our customers to adjust their payout period based on their changing needs and aspirations. It also provides coverage against death before the payout period.

In December, we launched PRUActive Life, a whole-of-life insurance plan that optimises your coverage while accumulating cash value over time. It is a flexible and customisable plan allowing customers to choose their premium payment term between 5 to 35 years to meet their unique needs.

We also enhanced our protection suite for families through the PRUMum and PRUFirst Promise plans which saw good traction as customers look for seamless protection from motherhood to looking after baby.

* Terms and Conditions apply to all plans. Please refer to www.prudential.com.sg/products for more details.

Opus by Prudential team was recognised with a Gold in the Luxury Category for Best Loyalty Programme at *The Loyalty & Engagement Awards 2019*

For our corporate clients that have customised plans, we raised the medical insurance coverage for employees up to the age of 100 with effect from September 2019. We also increased the maximum age coverage for our group term life, accidental death and dismemberment and major medical plans from the current age bracket of 64-69 to 70-74. These enhanced solutions were designed to meet the needs of rising longevity and to support employees who aspire to work for longer. They are in line with the government's vision of enabling productive longevity.

In support of workplace health and well-being, we also partner our corporate clients in making holistic wellness a part of their corporate culture. Our WorkPLAYce wellness programme is specially curated for Enterprise customers focusing on three key aspects of employees' well-being: Physical, Mental & Financial wellness. We provide HR teams with end-to-end support in engaging their employees from onboarding to renewal. WorkPLAYce empowers employers to motivate their employees to take control of their health and wealth. It provides access to various resources such as wellness check-ins, health screenings, kickboxing classes and stress management talks. These activities are designed to create a happier and more engaged workforce, and to enhance productivity and retention.

Supporting the Business Community

Following the launch of **PRU**works, our digital platform for small and medium enterprises (SMEs), we continue to support our SME customer to grow their business and increase productivity.

pruworks

In December, we introduced two new services on **PRU**works to help our SME customers gain quick access to financing options and to streamline their human resources (HR) tasks. The services are provided by our partners – financial services technology platform Avatec.ai (Avatec) and HR tech company HReasily. Avatec's artificial intelligence (AI)-driven credit assessment engine can provide a credit assessment score in less than a minute and connect our SME customers to funding sources such as financial institutions and commercial enterprises. With HReasily, both SME owners and their employees will be able to access and manage HR-related information such as leave days, claim applications and payslips on a single digital platform.

Besides the SMEs, we are also focused on offering a great customer experience to our corporate clients. We adopted a direct-to-customer engagement approach with our Group Insurance business that allowed us to better understand and cater to the needs of our large enterprise clients. As such, we are able to tailor group insurance solutions and benefits programmes based on their unique requirements. This value proposition has attracted several well-established large businesses to partner us in supporting their employees in their health and wellness journey. We now serve 140,000 employees through the 2000 companies that we insure.

Meeting the needs of High Net Worth individuals

Since the launch of our high net worth (HNW) offering, *Opus by Prudential*, we have seen a steady growth of our client base. To-date, we have trained 92 Private Wealth Consultants to support our HNW clients in meeting their protection needs. More than 350 Financial Consultants have also been trained to serve HNW individuals. We have a team of Wealth Planners which supports our Private Wealth Consultants in providing advice to our clients on their wealth protection and transfer plans as well.

Our clients can tap on our panel of experts covering areas of legal and estate planning, tax and business advisory, and trust and fiduciary services. We also have international medical solutions that provide our clients with access to the best global medical care.

Enhancing the Customer Experience

In January, we started trialing a new digital solution that allows instant underwriting of policy applications. This allows customers to know if their applications for insurance cover are successful at the point of sales. If the policy application passes through the digital underwriting engine successfully, customers can expect to receive their electronic policy contract in as fast as two hours. The digital underwriting solution is applied to **PRU**triple Protect, a critical illness plan that provides protection against multiple illnesses. With the completion of the successful trial, the solution has also been extended to the underwriting of **PRU**Personal Accident, a plan that complements existing hospitalisation or medical insurance to ensure coverage in the event of an accident. It will be applied to Prudential's complete suite of savings, investment, protection and medical plans in phases.

Recognising that convenience is one of the key elements that drives positive customer experience, we introduced cashless service to customers of our private hospital Integrated Shield Plan (IP) rider, **PRU**Extra Premier. This is an initiative under our new hospital partnership programme, **PRU**Panel Connect, that was launched in November. Our **PRU**Extra Premier customers can now enjoy a cashless experience at admission with an enhanced letter of guarantee of up to S$30,000 when they visit our **PRU**Panel Connect hospitals - Raffles Hospital and Mount Alvernia Hospital. To enjoy this service, they have to seek treatment from participating specialists under this programme. This cashless service is also extended to pre- and post-hospitalisation expenses at Raffles Hospital. To provide a more seamless experience, where applicable, no pre-authorisation is needed before they proceed with medical treatment and no immediate payment upon discharge is required.

A complimentary onsite **PRU**Panel Connect Concierge Service is also available at both hospitals through which customers can get guidance on how to make a claim and have other queries answered.

As part of our ongoing efforts to simplify our communications and make it easy for customers to understand their policy details, we gave our Welcome Letters to customers a makeover. They were re-designed to be user-friendly with simpler language and also to be mobile-friendly.

The new digital underwriting tool is one of many new technologies Prudential is investing in to transform customer experience and make work more efficient for its employees and financial consultants

MOU signing with (from left to right) Dr Kenneth Wu, General Manager, Raffles Hospital; Mr Wilf Blackburn, CEO, Prudential Singapore; Dr James Lam Kian Ming, CEO, Mount Alvernia Singapore

* Terms and conditions apply to all plans. Please refer to www.prudential.com.sg/products and www.prudential.com.sg/prupanel-connect

Making Healthcare Affordable and Accessible

To help make rising longevity a positive experience for our customers, we want to support them in their health journey. Besides offering protection, our key focus is on preventative healthcare which will address the rising medical demands of a rapidly ageing population and contain healthcare costs in the long term.

Claims-based pricing is one of the key initiatives introduced to encourage our customers to live healthily and exercise care in the use of healthcare services. Today, more than 80 per cent of our **PRU**Extra Premier customers have benefitted from this innovative pricing approach as they pay lower premiums when they claim less.

In line with our purpose to help everyone live well, we leveraged digital health technologies and partnered healthtech companies. In May, we inked a strategic regional partnership with UK-based health technology and services company Tictrac to provide personalised wellness services to consumers, engaging them on their lifestyle goals and helping them lead healthier, longer lives.

We are also in collaboration with technology partners to build a digital health app called *Pulse by Prudential* to support people in their health and wellness journey. Using AI-powered self-help tools and real-time information, *Pulse* empowers them to take control of their personal health and wellbeing. This is a key step towards helping consumers prevent, postpone and protect against the onset of disease.

To make health insurance more accessible to our existing and new customers, we have made **PRU**Shield, a private health insurance that provides additional coverage to complement MediShield Life, available for purchase online.

These initiatives underline our commitment to making healthcare affordable and accessible to all.

* Terms and conditions apply to all plans. Please refer to www.prudential.com.sg/products for more details

Innovating with technology partners to chart the future of insurance

As we continue on our innovation journey and transform the insurance business, we are working with technology partners with creative solutions to enhance customer experience and improve business processes.

In January, we launched the third edition of our flagship innovation initiative - PRU Fintegrate Partnership Programme – in London to reach out to FinTech, InsurTech, HealthTech and MedTech scale-ups from around the world. Through this edition, we are working with two selected scale-up partners, Active Intelligence (Active.Ai) and Spiro Technologies to run proof-of-concepts based on a mutually-agreed scope.

Active.Ai's solution delivers conversational AI to engage visitors of our digital channels, allowing them to get answers to simple queries instantly over messaging, voice or Internet of Things (IoT) devices. This improves our response time, generates new leads and opportunities for our financial consultants. Spiro's proactive relationship management platform leveraging machine learning and analytics helps our enterprise business sales team to streamline their workflow and improve the ability to increase lead conversion via web/mobile app and proactive recommendations on next-best-actions.

The second year of our Grand Sponsorship of the Singapore Fintech Festival (SFF) saw the first combined conference with the Singapore Week of Innovation and TeCHnology (SWITCH). The SFF x SWTICH event served as a good forum for fintechs to connect, collaborate and exchange ideas, and it attracted more than 60,000 participants from 140 countries. In support of promoting knowledge sharing and collaboration, we hosted several open-mic sessions at the Prudential booth for technology companies to share more about their innovative solutions.

In January, we launched the third edition of our flagship innovation initiative - PRU Fintegrate Partnership – in London to reach out to FinTech, InsurTech, HealthTech and MedTech scale-ups from around the world.

The Prudential team at the Singapore Fintech Festival 2019

4.2 HEALTH

"People in Singapore have one of the longest life expectancies in the world, but many are unprepared for its challenges and opportunities.


READY FOR
100

Healthy for 100

People in Singapore have one of the longest life expectancies in the world, but many are unprepared for its challenges and opportunities. One in two respondents from the Prudential *Ready for 100* survey released in 2018 said they were not prepared healthwise to live to 100 years of age. Singapore residents want to take good care of themselves but lack awareness and motivation.

This year, our *Healthy for 100*? Heathy care in Singapore report highlighted that many Singaporeans will be hard pressed to cope with the health-related expenses of living to 100, as a greater number of them will need to manage more than one chronic disease in their old age.

Recognising these challenges, Prudential is committed to help our customers and employees face the challenges ahead with a holistic approach to health and solutions to help prevent, protect against and postpone the onset of illness.

In 2019, we launched PRUPanel Connect (PPC), a hospital partnership programme, to offer customers greater convenience and a seamless experience when they visit our two PPC hospitals, Raffles Hospital and Mount Alvernia Hospital, for medical treatment.

Prevent

To promote an active and healthy lifestyle, we asked our employees to 'Do Siewdai' and consume less sugar. They were also encouraged to pledge to consume less sugar.

In 2019, we organised close to 250 sports and recreation programmes including Bouldering, Dragon Boating, Archery, Muay Thai and more fitness classes to help employees stay active.

We also spread the health buzz to Singaporeans and motivated them to 'Do Health', with our 'Do Squats Challenge' rewarding participants with a free MRT ride for completing 20 squats.

We embarked on a *Healthy for 100* campaign to create awareness on what people can do to be healthy. We organised the *Healthy for 100* Media Roundtable in August and *The Straits Times Roundtable: Healthy For 100* in September, where our speakers shared insights on preventative healthcare, and living well for longer in Singapore.

PRUPanel Connect

Protect

In 2019, we launched **PRU**Panel Connect (PPC), a hospital partnership programme, to offer customers greater convenience and a seamless experience when they visit our two PPC hospitals, Raffles Hospital and Mount Alvernia Hospital, for medical treatment.

Our claims-based pricing approach to heathcare plans, help keep costs sustainable in the long run by motivating customers to stay healthy and to be more prudent with the use of healthcare services. With claims-based pricing, customers who consume less healthcare services pay lower premiums. Today, more than eight in 10 of our **PRU**Extra Premier customers enjoy a 20 per cent savings on their premiums because they did not make any claims during the review period.

pulse
by Prudential

Postpone

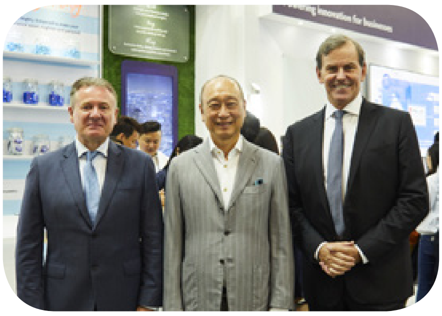
We are developing preventative healthcare programmes with healthtech companies like Babylon to create a symptom checker and health assessment tool, and working with Tictrac to bring personal wellness services to our customers. These innovative offerings will be available in the upcoming *Pulse* healthcare app which will enable people to 'Do Health' on-the-go.

4.2

4.3 DISTRIBUTION AND PARTNERSHIPS

"A core strength of our business lies in our multi-channel distribution platform, comprising Singapore's largest tied agency force of more than 5,000 Prudential financial consultants and our exclusive bancassurance partners Standard Chartered Bank (SCB) and United Overseas Bank Group (UOB).

DISTRIBUTION AND PARTNERSHIPS



Extended our bancassurance partnership with UOB for a further 15 years.

Capitalised on growth opportunities in the High Net Worth (HNW) and Enterprise Business segments with 38% YOY growth in HNW customer acquisition and 22% growth in Enterprise business sales for FY2019.

Enhanced learning and development to better prepare our Agency for success with a revamped induction programme and new IBF-certified course in financial needs analysis

PRUForce
Lead with PruForce

Launched PRUForce, a new CRM application to improve the way leads are nurtured and managed. The application has enjoyed an 85% adoption rate.

384

of our Financial Consultants received the PRUService Mark in recognition of their strong commitment to their customers.

Distribution and Partnerships

A core strength of our business lies in our multi-channel distribution platform, comprising Singapore's largest tied agency force of more than 5,000 Prudential financial consultants and our exclusive bancassurance partners United Overseas Bank Group (UOB) and Standard Chartered Bank (SCB).

In January 2019, we were pleased to announce the extension of our bancassurance partnership with UOB for a further 15 years. The extended partnership provides UOB's growing customer base with continued access to Prudential's market-leading and innovative product suite, and demonstrates our commitment to fulfilling the evolving savings and protection needs of consumers.

We were also pleased to launch the Nickelodeon Academy of Smarts with UOB and new partner, Nickelodeon. With this initiative, children can learn more about different areas of "Smarts" by solving riddles with cartoon characters.

Our relationship with SCB remains strong as we work with each other to continue providing solutions that meet the evolving protection and savings needs of our customers.

Becoming a Leader in High Net Worth

With the number of millionaires in Singapore projected to reach 240,000 by 2023[1], there is a need to better service the unfulfilled wealth protection and transfer needs of the growing pool of HNW customers. Many of them are not adequately insured against personal, financial and business risks and only one in five HNW families in Singapore have a plan to transfer wealth across generations[2].

With our 89-year track record in Singapore, Prudential is well-placed to tap into the needs of this under-served segment. *Opus by Prudential,* our advice and service-led offering for HNW customers, has continued to grow since its launch in 2018 and now comprises 92 trained Private Wealth Consultants, supported by a team of Wealth Planners and subject matter experts in the areas of legal and estate planning, tax and business advisory.

More than 350 Financial Consultants have also been through our 3-day HNW training programme to understand and identify the needs of HNW individuals.

OPUS has seen 38 per cent growth in HNW customer acquisition over the past year, driven by its promise of more personalised service and greater brand awareness through a series of curated events and experiences. *OPUS* clients enjoy special access to exclusive lifestyle and networking events, personalised gifts and rewards, and access to a VIP medical panel.

References
1 https://www.credit-suisse.com/media/assets/corporate/docs/about-us/research/publications/global-wealth-report-2018-en.pdf
2 https://www.rbcwealthmanagement.com/_as/static/documents/Asia-pacific-wealth-transfer-report-2017-EN.pdf

WorkPLAYce by Prudential

Growing Our Enterprise Business

The Enterprise Business segment delivered strong results in 2019, with 22 per cent growth (excluding brokers) in sales compared to the year before, and is currently serving more than 2000 clients and 140,000 of their employees. In 2018, Prudential started to sell directly to enterprises through our Agency Distribution channel, which focuses on small and medium-sized enterprises (SMEs). Our Corporate Sales team which was started in November 2018 focuses on large enterprises with more than 200 employees.

New business sales from the Agency Distribution channel increased by 50 per cent in 2019, and we are well placed to serve the needs of the 260,000[3] Small and Medium Sized Enterprises (SMEs) in Singapore. One of the exciting new initiatives we offer is *WorkPLAYce by Prudential*, a holistic wellness program that empowers employers and encourages employees to take care of their health and wealth through a series of workshops and programmes. As part of our efforts to help Singapore prepare for rising longevity, we announced in September that our customised group insurance plans covering hospital and surgical, outpatient medical and dental expenses will provide protection for employees up to the age of 100 years.

Being the only insurer in Singapore to sell directly to enterprise customers enables us to understand their requirements better, and tailor group insurance and benefits to meet their needs. Our Corporate Sales team has delivered encouraging results, growing sales by 117 per cent from the year before and acquiring a number of new clients in a wide range of sectors.

> **The Enterprise Business segment delivered strong results in 2019, with 22% growth (excluding brokers) in sales compared to the year before, and is currently serving more than 2000 clients and 140,000 of their employees.**

3 https://www.tablebuilder.singstat.gov.sg/publicfacing/createDataTable.action?refId=15808

Preparing our Agency for Success

Our people are our most important resource and we invest in training and development to ensure they are able to acquire new skills throughout their careers, understand regulatory requirements and provide the best possible advice to our customers. In 2019, we launched a revamped induction programme designed to streamline the learning experience for new financial consultants and to enhance their development through real life examples, interactive sharing and role-play. The course has been well received and participants have praised its relevance and ability to help them apply the correct principles to their day-to-day work.

To strengthen our sales advisory process, we worked with the Singapore College of Insurance to customise the Certificate in Financial Needs Analysis and Plan Construction course for our financial consultants.

Candidates at our Induction programme

To strengthen our sales advisory process, we worked with the Singapore College of Insurance to customise the Certificate in Financial Needs Analysis and Plan Construction course for our financial consultants. The programme which is accredited by the Institute of Banking and Finance will be launched to all our financial consultants in 2020.

These new programmes complement the extensive training and professional development opportunities already available to our financial consultants. We organised more than 100 courses in 2019, and our financial consultants attended an average of 48 hours of Continuing Professional Development (CPD) training each over the past year.

Empowering Productivity

In this competitive environment, we recognise the need to invest in the right tools and solutions to simplify the insurance process and to help our people work more productively. In January 2019, we rolled out an instant underwriting solution that enables us to perform real-time risk assessment on policy applications and make underwriting decisions on-the-spot. Customers answer a series of questions tailored to their individual profiles and within seconds, will know if their applications for insurance cover are successful or require further review. If a customer's application has been accepted, they can receive an electronic copy of their policy contract within two hours, instead of the usual turnaround time of two days. Customers get to enjoy a more seamless purchase experience, while financial consultants see a reduction in paperwork and the need to go back to customers with additional questions.

In September 2019 we launched PRUForce, a new integrated Customer Relationship Management application to improve the way leads are nurtured and managed. Acting as a single source for new leads and a tool to manage the customer engagement process, the app helps our financial consultants to automate processes like activities management, appointments setting, reminders, submissions tracking and follow-ups. PRUForce has been well received with more than 95,000 new leads generated in just three short months and 85 per cent of financial consultants onboarded and using it for their lead management activities.

PRUForce
Lead with PruForce

95,000

new leads generated in just three short months

We also made enhancements to PRUplanner, our digital point of sales tool, to enable a more comprehensive understanding of our customer's insurance needs. This includes providing a holistic view of our customer's total insurance portfolio. Customers can now view all the policies they have brought through Prudential in a single view on the PRUplanner. This helps both customer and consultant get a more complete picture of a customer's financial needs, without the hassle of having to dig up physical copies of previous policies.

Invited speakers at In Conversation events cover topics such as 'Eat Better, Live Better' and 'Women in Business' for participants to learn from their experience

Creating Better Experiences for our Customers

We want to engage our customers in more meaningful conversations about the things that matter to them. In 2019, we rolled out "In Conversation" a new event concept bringing together speakers, experiences and personalities to create targeted topics related to physical, financial and mental wellness. Understanding that people have different concerns at different life stages, these events offer the potential to connect with a whole new generation of customers.

As customers lead increasingly digital lives, we have also expanded our range of solutions to connect with them over platforms like Facebook, LinkedIn and Instagram. We engaged Greenfly, a content collaboration and distribution solutions provider to help us collaborate with our financial consultants in creating and sharing social content. Financial consultants can access a library of content and resources that have been specially developed for them, or they can collaborate with us in creating content of their own.

We are also helping our consultants to grow their digital presence and to attract new customers by building each of them a personal **PRU**advisor webpage, complete with bios, relevant content and other useful information that will allow customers to get to know them better. Customers will be able to make enquiries through the webpage and integration with **PRU**Force means that our Financial Consultants will be able to easily manage these leads and respond quickly to queries.

Through the year, we focused on working hand-in-hand with our Agency to grow the business and to create better customer experiences. We regularly seek their views through a range of regular discussion forums, feedback groups and events.

In 2019, 384 of our financial consultants were awarded the **PRU** Service Mark. It is a regional recognition and accreditation programme that recognises and rewards Prudential's financial consultants who are committed to going above and beyond in servicing their customers, achieve a high customer retention rate and demonstrate ethical sales conduct.

4.4 PEOPLE

As we continue to reinforce and reimagine our business, we seek to innovate beyond insurance to be groundbreaking for customers, to transform our work and innovate with communities.



Guided by our culture and values, we are pursuing our purpose of innovating to help everyone live well. We aspire to provide awesome experiences for our customers, people and partners, and believe that leading in innovation is how we can make the greatest difference for all.


As we continue to reinforce and reimagine our business, we seek to be groundbreaking for customers, to transform our work and innovation with communities. On the people front, we strive to be a top employer of choice and make Prudential the best place to work for our employees.




Building a Future-ready Workforce

In 2019, we grew our workforce by 5 per cent to 1,241 employees to support our strategic initiatives. To boost our capabilities to grow our business and innovate beyond insurance, we expanded our talent pool in key growth areas including developing our enterprise business, analytics, technology, innovation, ethics and medical portfolio teams.

We believe that having people with different experiences and skillsets drives innovation and performance. This is reflected in our workforce of 32 nationalities. Women make up 6 in 10 of our workforce and 7 in 10 of our leadership positions. Continuing to promote an inclusive and age-friendly workplace, we raised our Central Provident Fund contribution rate for employees above the age of 55 to match that of younger colleagues in August. This follows our removal of the retirement age in Prudential in 2018. Prudential is the first in Singapore to implement both innovative and progressive practices.

As we grow our company, we build our bench strength and nurture our next-generation of leaders who are key to driving our future success. In 2019, we expanded our talent pool by 26 per cent. Our future leaders are part of a robust talent development programme comprising our flagship leadership training course, job rotation, internal mobility and mentoring.

Cultivating a Growth Mindset

Continued investment in our people is a key priority for us. One of our priorities is to future-proof employees and to equip them with the necessary skillsets and tools to stay ahead of the curve. We also invested in our people managers, training them to strengthen their leadership capability and develop their teams.

In 2019, over 100 people managers and team leaders attended classroom training and completed leadership behaviour e-learning which helped them to improve their people development and performance management skills.

In May, we launched an e-learning platform that empowers our people to learn anytime, anywhere. In 2019, more than 1,300 online courses were completed, and employees underwent more than 13,000 hours of training. We also partnered SkillsFuture Singapore and Ngee Ann Polytechnic to bring upskilling programmes to employees. Over 1000 attended the SkillsFuture Advice workshops and more than 200 completed an online course 'AI in Finance' this year.

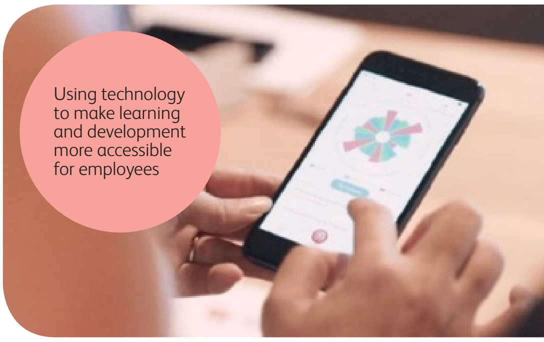
To enable the learning of new skills on the job and to help further their career aspirations, we encourage employees to participate in our internal mobility programme. In 2019, 103 employees took on new roles. Employees learnt more about the career opportunities in Prudential on Career Day which showcased available roles in Singapore and across the region.

Another new tool to help employees drive their development is the TellMe app which provides employees with 360-degree feedback on their leadership behaviours - Customer Centricity, Execution Excellence, Working Together, Growing Talent, Strategic and Commercial Acumen, and Leading Innovation and Change. Peers, team members and colleagues are asked to provide an individual with feedback on the app and this is counted towards the individual's performance rating. Regular feedback encourages the individual to do more of what they're doing well, and enables the person to make improvements throughout the year.

We also recognise employees who live our values, and 8 colleagues were named Values Stars for demonstrating the leadership behaviours.

These employee engagement initiatives create a supportive work environment based on collaboration, innovation, ownership, delivery focus and care.

Employees learning more about the career opportunities in Prudential on Career Day



Using technology to make learning and development more accessible for employees

Employees underwent more than

13,000

hours of training and completed more than 1,300 online courses.

More than 200 employees graduated from the 'AI in Finance' online course run in partnership with Ngee Ann Polytechnic

Embedding a culture of innovation

Since beginning our culture change journey in 2016, we have continued our efforts to embed our culture. In 2019, over 100 people managers and leaders completed a culture journey workshop to reinforce our purpose – *innovating to help everyone live well* – and our five core values – Innovation, Collaboration, Accountability, Empowerment and Trust.

We have made good progress on this journey, with many of our people embracing a spirit of innovation today. In 2019, employees shared about 1000 ideas on how we can create something new and better. This culminated in 50 projects that were implemented company-wide to improve the way we work or innovate with the community. About 20 per cent of our people are Innovation Ninjas - employees who go beyond their day jobs to volunteer their skills to these projects.

Engaging our people

We constantly communicate with our employees to ensure they are aligned with our strategic priorities and stay up to date with their concerns. We do this through company-wide townhalls and dialogue sessions chaired by our CEO.

In May, our employees attended **PRU**Connect, our half-day townhall held offsite. It covered the strategic priorities and core capabilities that we need to reinforce and reimagine our business and included a series of themed breakout workshops for employees to learn more about these topics.

At quarterly snap townhalls held in our Workplayce throughout the year, we provided quick updates on our strategy and transformation journey, business, key projects as well as regional and global level insights.

In 2019, we also held 2 dialogue sessions to get inputs from employees on how we can improve our culture. The results from these sessions were fed into Culture Journey Solutioning Workshop to come up with solutions that will address employees' concerns.

We constantly communicate with our employees to ensure they are aligned with our strategic priorities and stay up to date with their concerns. We do this through company-wide townhalls and dialogue sessions chaired by our CEO.

Employees learning more about our strategic priorities at the breakout workshops at **PRU**Connect

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. Besides helping employees to develop their intellectual wellness through learning, we also organised activities to improve their financial, mental and physical well-being.

We embarked on a *Healthy for 100* campaign in August to promote healthy living among employees. To promote a healthy diet, we asked employees to 'Do Siewdai' and consume less sugar by choosing bubble tea with lower sugar level. Of the 650 cups of bubble tea that were given away, more than 58% chose to go for 0% sugar level. Employees were also encouraged to pledge 'yes' to less sugar, and close to 100 took the pledge.

We organised close to 250 sports and recreation programmes this year, including fitness classes, chill-out sessions. Many of these were held in-house at our Workplayce, making fitness accessible to our employees. Twelve employees were also selected to go on a trip to Kumano Kodo, a pilgrimage World Heritage Site in Japan, where they embarked on a wellness journey.

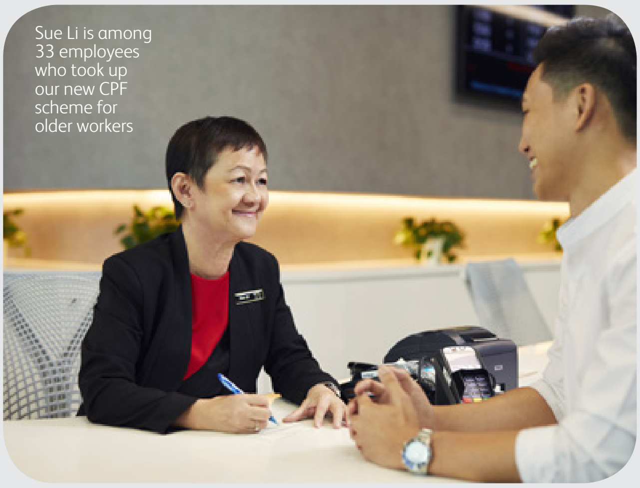
All employees can also leverage our Wellness Leave scheme to take time off for at least 5 consecutive working days and focus on their personal well-being.

We embarked on a *Healthy for 100* campaign in August to promote healthy living among employees.

Encouraging employees to 'Do Siewdai' and pledge to consume less sugar

Employees embarked on a wellness journey to Kumano Kodo, a pilgrimage World Heritage Site in Japan

Making fitness accessible to our employees with classes held in-house at our Workplayce



Sue Li is among 33 employees who took up our new CPF scheme for older workers

An Age-friendly Workplace

Ms Sue Li, 63, a customer service officer with Prudential, is among 33 employees who benefited from our new CPF scheme for older employees. This group of employees has the option to enjoy the total CPF contribution rate of 37 per cent – similar to that offered to their younger colleagues. This comprises 17 per cent which will come from Prudential if an employee voluntarily increases the individual CPF contribution rate to 20 per cent.

"It was a bonus when the company scrapped the retirement age as I can continue to work for as long as I am able to. Now, they are going a step further by contributing more money to my CPF funds. The additional savings would help finance my retirement years and potential healthcare expenses." said Ms Li who has been working with Prudential for 24 years.

New ways of working

Employees have activity-based working options in our Workplayce, giving them the flexibility and autonomy to work from anywhere and at any time. The open spaces for collaboration and connection encourage experimentation, teamwork and self-initiative. We believe such a work culture will help us nurture a future-ready workforce that is agile and adaptive, with the right skillset and mindset to meet the increased and changing demands of our customers.

To help employees be more effective at work, we introduced Focused Friday and 45-minute meetings in 2019. Focused Friday is dedicated to 1:1 coaching, focused work and learning while 45-minute meetings are designed to be focused and productive. With these initiatives, our people will get more coaching and more time to do focused work and their own learning.

Winning the SkillsFuture Employer Award for skills development and lifelong learning

People Awards

In recognition of our efforts to create a healthier and happier PRU Workplayce, Prudential is the first insurance company to receive the Platinum rating under the BCA-HPB Green Mark for Healthier Workplaces scheme.

We also won several HR awards in 2019, a testament to our efforts to build the best place to work for our people. This includes the SkillsFuture Employer Award as well as a Gold award for being a purpose-driven organisation and a Silver for employee engagement & workplace harmony at the Singapore HR Awards.

4.5

4.5 COMMUNITY

Over the course of 2019, our employees and financial consultants contributed more than 5,500 hours of their time in reaching out to more than 10,000 beneficiaries.

Our employees and financial consultants contributed more than 5,500 hours of volunteer time, reaching out to more than 10,000 beneficiaries across Singapore.

Caregiving was a big focus in 2019. More than 100 PRUCaregiver volunteers were equipped with basic caregiving skills to help provide respite care and support to existing caregivers and care recipients.

As part of our work with the Boys' Brigade Share-a-Gift project, children from the Early Childhood Development Agency's KidSTART programme received customised hampers with child-friendly items.

More than

4,000

primary school students benefited from our award-winning financial literacy programme, Cha-Ching.

Our Prudential Young Trailblazers programme which trains young people to be both innovative and entrepreneurial reached over 300 students.

DOing well by DOing good

As the people that 'Do Good', we gave back to the community through various meaningful initiatives as part of our Community Investment efforts. These centred around building strong foundations for an inclusive society: creating a community of caregivers, helping the young and underprivileged to have a head start in life, and using innovation to make their lives better.

Over the course of 2019, our employees and financial consultants contributed more than 5,500 hours of their time in reaching out to more than 10,000 beneficiaries. All our employees are given five days of volunteer leave to allow them to volunteer for the charities and causes they support.

Our inaugural PRUImpact Week saw close to 350 employees, financial consultants, partners and distributors get together to learn about and support education, health and environmental causes. These included panel discussions, classes and workshops on issues such as productive ageing and long-term care, social inequality and sustainable finance.

We continued to support the Community Chest of Singapore (ComChest), raising over S$70,000 in donations through our Share-as-One programme. Under the programme, employee's monthly contributions are matched dollar-for-dollar by the company.

WE ARE
THE PEOPLE THAT
DO

Improving the ageing experience

Against the backdrop of Singapore's ageing population, the need for caregiving has increased. Our 2019 Chairman's Challenge for employees focused on helping to meet this need with the creation of a community of PRUCaregivers volunteers. More than 100 employees and financial consultants were equipped with basic caregiving skills so they could provide respite care and support to existing caregivers and care recipients. They attended training sessions on the proper usage of mobility aids, preventive healthcare measures and emergency handling at home. They were also taught about the importance of self-care to avoid burnout.

Our PRUCaregivers brought more than 300 senior beneficiaries out for various activities, including visiting popular local attractions and grocery shopping. This provided much-needed respite for the beneficiaries' caregivers. We also raised more than S$30,000 for our community partner, Tsao Foundation, as part of the Chairman's Challenge.

Continuing our work with the Tsao Foundation, we organised a series of engagement activities for vulnerable seniors, which included group outings and craft workshops to promote social inclusion among those who live alone. These activities were incorporated into our company's orientation programme, giving new joiners the chance to put their 'Do Good' spirit into action at the start of their Prudential experience.

Closer to home, we organised a 'Bring Your Parents to Work Day' for our people to show their appreciation for their key caregivers – their own parents. Thirty-seven parents, accompanied by our employees, took a tour of our Marina One office, and attended talks by the Agency of Integrated Care (AIC) about the importance of self-care. AIC also conducted talks on the Merdeka Generation Package and ways to stay active and healthy, and to learn new skills.

> **Our PRUCaregivers brought more than 300 senior beneficiaries out for various activities, including visiting popular local attractions and grocery shopping. This provided much-needed respite for the beneficiaries' caregivers.**

PRU volunteers learning about caregiving

Parents got a glimpse into life at PRU and created something new with their children in a fun, mindful pottery class

A brighter start for a better tomorrow

This marked the 11th year of our commitment to the Boys' Brigade Share-A-Gift (BBSG) programme. This year, Share-A-Gift supported more beneficiaries including children from the Early Childhood Development Agency's (ECDA) KidSTART programme. These children received customised hampers which included child-friendly items such as age-appropriate dental kits, healthy food and hygiene products. It is important for every child to have the best possible start in life, and we will continue to support EDCA's efforts in shaping positive early childhood experiences for all children in Singapore.

In total, we packed and delivered more than 30,000 food hampers to needy families across Singapore as part of the year's BBSG efforts.

We have pledged to support the BBSG via a $2 million pledge, which will be disbursed to their programmes over 10 years until 2026.

This year, over 4,000 primary school students in Singapore benefited from Cha-Ching, our award-winning financial literacy programme 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 in a fun and engaging way.

We continued our partnerships with Institute of Higher Learnings (IHLs) in Singapore, granting bursaries and scholarships to students from low-income and/or special needs backgrounds. Our total commitment to these educational causes amounted to more than $700,000.

Innovation in the community

We advanced our efforts to leave a positive impact on the community by building innovation ecosystems among both the young and old.

Now in its second year, the Prudential Young Trailblazers programme attracted over 300 participants who came together to ideate, prototype and pitch solutions to various design challenges. Among the winning ideas include an airport trolley that automatically returns to its docking station, translating into substantial manpower and material cost savings, and an app targeted at helping lower income workers find jobs.

In an effort to cultivate FinTech talents, we worked with the Monetary Authority of Singapore (MAS) and the PolyFinTech100 committee to run an eight-month programme to raise awareness about the insurance industry. The programme included a learning journey, Q&As and pitching practice sessions, which culminated in the PolyFinTech Competition. We worked with the Insurtech category winner from Temasek Polytechnic to build a prototype for their proposed solution.

Now in its second year, the Prudential Young Trailblazers programme attracted over 300 participants who came together to ideate, prototype and pitch solutions to various design challenges.

Going green at our Workplayce

Our corporate office at Marina One, **PRU** Workplayce, clinched the BCA's (Building and Construction Authority) Green Mark Award for Healthier Workplaces. Our Workplayce features social spaces for greater collaboration and connection among colleagues, as well as nature-inspired nooks and rest-pods for employees to recharge. Environmental programmes and policies such as recycling campaigns, the provision of electronic waste collection bins and guidelines to improve energy, water and waste reduction are also in place. Sustainable materials are used for the interior walls, ceiling and flooring, with separate monitoring systems installed for lighting and plug loads to ensure energy efficiency optimisation.

We continued our environmental sustainability efforts by taking further steps to build a Plastic-Free Prudential. All plastic cutlery has been removed from our Marina One office, and our colleagues were given Huskware lunchboxes to reduce wastage and be more environmentally-friendly. In addition, we recycled 148kg of e-waste during the year.

5 BOARD OF DIRECTORS

Lilian Lup-Yin Ng
Chairman and
Executive Director

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

Lilian is responsible for driving regional strategies and strengthening capabilities across the network of insurance business units in 13 markets in Asia.

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
Chief Executive Officer
and Executive Director
(4 November 2016 - 8 March 2020)

Wilfred Blackburn has been Executive Director of the Board and Chief Executive Officer (CEO) of Prudential Singapore from 4 November 2016 to 8 March 2020. He is a member of the Board Risk Committee of Prudential Singapore.

Wilf is an industry veteran with close to three decades of diverse life insurance experience, having lived in seven Asian countries over the past 19 years.

Wilf joined Prudential Corporation Asia in Hong Kong in 2012 and led new market initiatives where he launched Prudential's business operations in Cambodia and established its representative office in Myanmar and Laos. In July 2014, Wilf 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, Wilf 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. Wilf has worked in the United Kingdom for three life insurers after commencing his career with a firm of consulting actuaries.

Wilf is also a Director with European Chamber Of Commerce (Singapore) and a member of the International Advisory Board of Newcastle University Business School (NUBS) since March 2019.

A British national, Wilf 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). Wilf has been a postgraduate student at the City University (now CASS), SAID Business School (Oxford University) and Harvard Business School.

Dennis Tan
Chief Executive Officer
and Executive Director
(Appointed 9 March 2020)

Dennis Tan was appointed Chief Executive Officer of Prudential Singapore on 9 March 2020.

A veteran banker, Dennis has 26 years of experience in consumer banking spanning, product development, segment management, marketing and sales and distribution.

Prior to joining Prudential in February 2020, Dennis was with OCBC Bank for 10 years, of which 7 were spent leading a 3,100-strong consumer banking division as Head, Consumer Financial Services. Dennis also spearheaded the growth of OCBC's Premier Banking business in Singapore, Malaysia, Indonesia and China as Head of Branch and Group Premier Banking. He was also a member of OCBC Bank's Management Committee.

Dennis began his banking career as a Management Associate with Citibank Singapore in 1993. In 16 years, Dennis rose through the ranks to become Managing Director, Sales and Distribution where he was responsible for 20 branches and 700 frontline staff.

Dennis is Singaporean. He holds a Bachelor of Science in Business (Honours with Distinction) from Indiana University and has completed the Stanford Executive Programme at Stanford University's Graduate School of Business. He is a Certified Financial Planner.

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.

Mei Kit is an experienced professional in audit, risk control, governance and compliance roles across 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 serving on the governance committees of various non-profit organisations including the Audit and Risk Committee of the National Kidney Foundation in Singapore, the Audit Committee of the Singapore Institute of Directors and the Advisory Committee on Oversight of the United Nations Entity for Gender Equality and the Empowerment of Women in New York. She also serves as an Adjunct Associate Professor with Department of Accounting at the National University of Singapore Business School, and is a Director of Meritus (1996) Investments Pte Ltd and Tee Boon Leong Investments Pte Ltd.

Mei Kit is a Fellow of the Association of Chartered Certified Accountants UK and of the Institute of Singapore Chartered Accountants. She 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. At Prudential Singapore, she is a member of the Audit Committee and the Board Risk Committee, as well as the Chairman of the Nomination and Remuneration Committee.

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 of Business Development, V3 Group Professor of Family Entrepreneurship and Practice Professor of Finance at SMU.

Prof. Koh is a notable conference speaker, panel moderator and commentator. She has been a Member of the World Economic Forum Global Future Council on New Education and Work Agenda, and a Director of Singapore's Central Provident Fund Board since 2014. Prof. Koh is chair of the Tripartite Alliance for Fair & Progressive Employment Practices (TAFEP) Awards Committee since 2017, and a Member of Customs Advisory Council and HR Transformation Advisory Panel since 2019. She is a Director of Government Technology Agency of Singapore since 2016 and chairman of its Finance and investment Committee. She also chairs the Asian Bond Fund Supervisory Committee of the Monetary Authority of Singapore.

Prof. Koh is also an Independent Director, and chairman, Audit and Risk Committee (ARC) of KBS US Prime Property Management Pte. Ltd (KBS) since June 2019. In addition, she is an advisor to start-up firms such as Stashaway and Staff-on-Demand and private firms such as PBA Group and SWAT of Goldbell Group.

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. At Prudential Singapore, he is a member of the Audit Committee and the Nomination and Remuneration Committee, as well as the Chairman of the Board Risk Committee.

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 which 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.

LEADERSHIP TEAM

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1 Dennis Tan
Chief Executive Officer
and Executive Director
(Appointed 9 March 2020)

2 Andreas Rosenthal
Chief Financial Officer

3 Tony Benitez
Chief Operations Officer

4 Odd Haavik
Chief Distribution Officer

5 Sheela Parakkal
Chief Human Resources Officer

6 Jackie Chew
Chief Risk Officer

7 Goh Theng Kiat
Chief Customer Officer

8 Lena Teoh
Chief Investment Officer

9 John Soong
Chief Agency Officer

10 Liauw Lee Jiat
Chief Actuary

6 LEADERSHIP TEAM

Wilfred Blackburn
Chief Executive Officer and Executive Director
(4 November 2016 - 8 March 2020)

Wilfred Blackburn has been Executive Director of the Board and Chief Executive Officer (CEO) of Prudential Singapore from 4 November 2016 to 8 March 2020. He is a member of the Board Risk Committee of Prudential Singapore.

Wilf is an industry veteran with close to three decades of diverse life insurance experience, having lived in seven Asian countries over the past 19 years.

Wilf joined Prudential Corporation Asia in Hong Kong in 2012 and led new market initiatives where he launched Prudential's business operations in Cambodia and established its representative office in Myanmar and Laos. In July 2014, Wilf 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, Wilf 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. Wilf has worked in the United Kingdom for three life insurers after commencing his career with a firm of consulting actuaries.

Wilf is also a Director with European Chamber Of Commerce (Singapore) and a member of the International Advisory Board of Newcastle University Business School (NUBS) since March 2019.

A British national, Wilf 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). Wilf has been a postgraduate student at the City University (now CASS), SAID Business School (Oxford University) and Harvard Business School.

Dennis Tan
Chief Executive Officer
and Executive Director
(Appointed 9 March 2020)

Dennis Tan was appointed the Chief Executive Officer of Prudential Singapore on 9 March 2020.

A veteran banker, Dennis has 26 years of experience in consumer banking spanning, product development, segment management, marketing and sales and distribution.

Prior to joining Prudential in February 2020, Dennis was with OCBC Bank for 10 years, of which 7 were spent leading a 3,100-strong consumer banking division as Head, Consumer Financial Services. Dennis also spearheaded the growth of OCBC's Premier Banking business in Singapore, Malaysia, Indonesia and China as Head of Branch and Group Premier Banking. He was also a member of OCBC Bank's Management Committee.

Dennis began his banking career as a Management Associate with Citibank Singapore in 1993. In 16 years, Dennis rose through the ranks to become Managing Director, Sales and Distribution where he was responsible for 20 branches and 700 frontline staff.

Dennis is Singaporean. He holds a Bachelor of Science in Business (Honours with Distinction) from Indiana University and has completed the Stanford Executive Programme at Stanford University's Graduate School of Business. He is a Certified Financial Planner.

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 over 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, and 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.

Tony Benitez
Chief Operations Officer

Tony Benitez is the Chief Operations Officer of Prudential Singapore. In this role, he is responsible for overseeing the Life Operations and Information Technology functions of the company.

Tony has over 25 years of financial and insurance industry experience spanning areas such as strategy, operations, transformation, mergers and acquisitions, post-integration implementation and change management.

Tony joined Prudential Singapore as Acting COO in June 2019, assuming the full-time role in January 2020. Prior to joining Prudential, Tony was the CEO and Managing Partner of Ancora Management Consulting where he engaged in major insurance-related transformation projects as well as conducted a variety of leadership and management training programmes and workshops.

At Allianz, he developed and drove Operational Excellence (OPEX), a process improvement/reengineering methodology as well as a programme to help establish quality management units to support the development and implementation of global change initiatives. At GE Employers Reinsurance Corporation, Tony was responsible for strategic planning and implementing the Six Sigma quality management approach.

Tony, a British national, holds a Diploma in Business and Finance from North East London Polytechnic and a Diploma in Business and Marketing from Paddington College London.

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 full 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, 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, marketing and events.

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.

LEADERSHIP TEAM

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 investment -linked insurance solutions. Lena oversees the investment process, setting in place the strategic asset allocation of the various funds, making tactical strategic decisions and partnering the various 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 over 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.

John Soong
Chief Agency Officer

John Soong is the Chief Agency Officer of Prudential Singapore. In his role, he oversees our Agency channel and manages a 5000-strong agency force.

John joined us as Head of Agency in October 2018. A specialist in sales and sales management in the life insurance field for more than 29 years across Asia Pacific, John began his career as an insurance agent in 1990. He brings with him many years of experience in training, recruitment and business development which includes leading and driving agency sales, manpower and productivity targets.

Prior to joining Prudential, John was a consultant and he engaged in projects to transform the agency channel, improve agent productivity and drive revenue growth for insurers including Zurich Topas Life (Indonesia) and Zurich Global Life (Singapore). At Allianz, John was the Chief Agency Officer of Pioneer Life (Philippines), Ayudhya Allianz (Thailand), Allianz Dazhong (China) and Pioneer-Allianz (Philippines).

A Singaporean, John graduated from National University of Singapore Law school.

Liauw Lee Jiat
Chief Actuary

Liauw Lee Jiat was appointed the Chief Actuary for Prudential Singapore in January 2020. In this role, she provides strategic direction and leadership across the Corporate Actuarial, Actuarial Pricing and Distribution Compensation functions.

Lee Jiat has held various roles in the Finance division since joining Prudential in 2013. As the Head of Distribution Compensation & Analytics, she led her team to revamp and implement the compensation structure for the Agency force. Her most recent role was Head, Business Finance, where she oversaw Finance Business Partnerships, Finance Performance Management, Distribution Compensation & Analytics and Finance Sales Reporting.

With more than 15 years of experience in the Finance and Actuarial field, Lee Jiat was previously the Head of Capital Management & MCEV Reporting and Appointed Actuary (HK) at Aviva, and the Head of Pricing and Product Development for Bancassurance Channel at Great Eastern.

Lee Jiat is Singaporean. A qualified Actuary, she graduated with a Bachelor of Business (Actuarial Science) from Nanyang Technological University, Singapore.

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 company's strategic goals, 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. The Board at Prudential Singapore has established several Board committees consisting of the Audit Committee, Board Risk Committee, and Nomination and Remuneration Committee, which have been constituted with clear 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. Board Risk Committee and Audit Committee meetings are also held four times a year and usually before the Board meetings. The Nomination and Remuneration Committee was established on 22 August 2019 and this Committee did not hold any meeting in 2019. The Nomination and Remuneration Committee will meet at least twice a year for the relevant deliberation. The table below lists the number of meetings of the Board and the Board committees held and attended by each director throughout 2019.

Board/Committee Meetings and Attendance	Board Meetings (include 1 Special meeting)	Board Risk Committee Meetings (include 1 Adhoc meeting)	Audit Committee Meetings	Nomination and Remuneration Committee Meetings
Number of meetings held in 2019	5	5	4	0
Chairman				
Lilian Lup-Yin Ng	5	-	3	0
Chief Executive Officer				
Wilfred John Blackburn	5	4	-	-
Non-Executive Director				
Annie Koh	5	5	4	0
Teo Teow Hock	5	5	4	0
Wan Mei Kit	5	5	4	-
Sir Alan Stanley Collins (Note 1)	-	-	-	-

Note 1: Stepped down as Director and Audit Committee member with effect from 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), Appointed Actuary and relevant senior management staff, 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 a Nominating Committee, the Nomination and Remuneration Committee supports the Board with a formal, documented and transparent process for the nomination, selection, appointment, removal as well as succession of directors and the CLT, Appointed Actuary and relevant senior management staff of Prudential Singapore. The Nomination and Remuneration Committee assesses candidates for directorship and CLT, Appointed Actuary and relevant senior management staff positions and propose appointments for approval by the Board, taking into consideration the candidate's merit, as well as his/her fulfilment of pre-defined criteria. The Nomination and Remuneration Committee considers the re-appointment of directors every three years, and reasons for resignations of directors as well as the members of the CLT, Appointed Actuary and relevant senior management staff. Directors who are above 70 years of age are also subject to annual re-appointment at the AGM. The Nomination and Remuneration Committee comprises Prof. Annie Koh (Chairman), Ms Lilian Lup-Yin Ng and Mr Teo Teow Hock.

On an annual basis, the Nomination and Remuneration Committee 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.

The Board assumed and performed the functions of a Nominating Committee before the Nomination and Remuneration Committee was established.

Process for Appointment of New Directors

In appointing new directors, the Nomination and Remuneration Committee 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 2019 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 following are considered: (a) the key performance criteria which include qualitative measures such as the provision of oversight over the establishment of strategic directions; and (b) 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, Appointed Actuary and relevant senior management staff.

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 fulfill their obligations.

REMUNERATION

Development of Policies

The Board approves the remuneration framework for directors and members of the CLT, Appointed Actuary and relevant senior management staff as developed by Prudential Singapore and the Regional Head Office in Hong Kong respectively. In performing the functions of a Remuneration Committee, the Nomination and Remuneration Committee is tasked to, amongst others, review and recommend to the Board the remuneration packages for independent directors as well as the CLT, Appointed Actuary and relevant senior management staff . The Board endorses the remuneration packages for independent directors and members of the CLT, Appointed Actuary and relevant senior management staff. The composition of the Nomination and Remuneration Committee is provided in the section on Board Membership of this Annex A.

The Board assumed and performed the functions of a Remuneration Committee before the Nomination and Remuneration Committee was established.

Remuneration of Director, CLT, Appointed Actuary and relevant senior management staff

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, Appointed Actuary and relevant senior management staff, 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, Appointed Actuary and relevant senior management staff 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, Appointed Actuary and relevant senior management staff 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, Appointed Actuary and relevant senior management staff are reviewed by the Regional Head Office in Hong Kong and the Nomination and Remuneration Committee 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, Appointed Actuary and relevant senior management staff. 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.

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 a Board Risk Committee to assist in providing leadership, direction and oversight in respect of Prudential Singapore's significant risks. The Board Risk Committee is supported by the Risk Committee at management level.

Board Risk Committee

The Board Risk Committee comprises Mr Teo Teow Hock (Chairman), Mr Wilfred John Blackburn, Prof. Annie Koh and Ms Wan Mei Kit. The principal responsibilities of the Board Risk Committee are to provide oversight on:

- The operation and effectiveness of the independent risk management system for the management of all material financial and non-financial risks faced by Prudential Singapore on an enterprise wide basis.
- Financial advisory and business quality across distribution channels in Prudential Singapore.
- Compliance with relevant Singapore regulatory requirements relating to risk and fair dealing with customers, sales advisory requirements, and Prudential Singapore's risk management framework.

Risk Committee

The Risk Committee comprises of members of the 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;
- Highlight to the Board Risk Committee 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 crystallise, 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 management function is led by the Chief Risk Officer who is also accountable to the Board Risk Committee and the Board.

During 2019, the Risk Committee met at least four 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, solvency 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 three measures used to monitor the volatility of earnings are European Embedded Value (EEV) operating profit, International Financial Reporting Standards (IFRS) operating profit and EEV New Business Profits.

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.

Solvency: 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 insurance, market, liquidity, credit 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).

Category	Risk type	Definition
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 5 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. Prudential Singapore defines its risk culture as the ecosystem of collective values, beliefs and attitudes of its employees that shapes their behavior and conduct to manage risks in day-to-day business operations. As a further commitment to ensure business sustainability, Prudential Singapore became the first local business unit in Prudential Corporation Asia to develop and implement its own Risk Culture Assessment Framework. As per this framework risk culture assessment will be carried out twice a year to identify areas of strength and improvement, and develop action plans to make progress on a consistent basis.

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

The Audit Committee (AC) comprises 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 2019 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, Appointed Actuary and relevant senior management staff.

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 GwIA. 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 a semi-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, Appointed Actuary and relevant senior management staff. 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.

8 FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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 2019.

In our opinion:

(a) the financial statements set out on pages 68 to 133 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2019 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 (Resigned on 8 March 2020)
Wan Mei Kit
Annie Koh
Teo Teow Hock
Tan Thean Oon Dennis (Appointed on 9 March 2020)

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.

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2019

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

Tan Thean Oon Dennis
Director

Lilian Lup-Yin Ng
Director

12 March 2020

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2019

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 2019, 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 68 to 133.

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 2019 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.

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2019

MEMBER OF THE COMPANY
PRUDENTIAL ASSURANCE COMPANY SINGAPORE (PTE) LIMITED

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
12 March 2020

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Assets			
Property and equipment	6	69,488	78,516
Intangible assets	7	286,142	295,805
Right-of-use assets	8	97,944	–
Investments and loans			
– Equity securities	9	6,326,253	5,083,437
– Debt securities	9	11,451,916	9,119,334
– Collective investment schemes	9	24,429,527	21,684,411
– Derivative financial instruments	9	154,763	121,880
– Loans and receivables	9	708,206	657,454
Reinsurers' share of insurance contract liabilities	10	1,061,281	927,062
Insurance and other receivables	11	249,777	265,332
Cash and cash equivalents	12	718,492	708,788
Total assets		45,553,789	38,942,019
Liabilities			
Gross insurance contract liabilities	13	38,715,556	32,856,379
Investment contracts with discretionary participating features	13	–	9,572
Insurance and other payables	14	3,440,295	3,265,053
Derivative financial instruments	15	46,957	62,922
Provision for tax		112,211	64,083
Deferred tax liabilities	16	1,710,186	1,403,929
Lease liabilities	17	96,033	–
Total liabilities		44,121,238	37,661,938
Net assets		1,432,551	1,280,081
Equity			
Share capital	18	526,557	526,557
Reserves	19	20,453	18,658
Accumulated surplus	20	885,541	734,866
Total equity		1,432,551	1,280,081

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Insurance premiums	22	6,181,386	5,807,027
Reinsurance premiums	22	(217,529)	(35,972)
Net insurance premiums	22	5,963,857	5,771,055
Fees and commission income	23	178,269	86,382
Investment income/(expense)	24	4,840,424	(1,171,453)
Other operating income		10,589	6,247
Net income before claims, benefits and expenses		10,993,139	4,692,231
Gross claims, maturity and surrender benefits		(3,363,994)	(2,998,707)
Increase in gross insurance contracts (including investment contracts with discretionary participating features) liabilities during the year		(5,817,940)	(267,442)
Reinsurers' share of contract liabilities, claims and benefits incurred		246,345	47,462
Net claims and benefits incurred	25	(8,935,589)	(3,218,687)
Commission and distribution costs	26	(714,402)	(679,469)
Staff costs	27	(169,875)	(148,036)
Depreciation of property and equipment	6	(19,254)	(26,283)
Depreciation of right-of-use assets	8	(27,010)	–
Interest expense	8	(3,029)	–
Other operating expenses	28	(258,014)	(314,851)
Claims, benefits and expenses		(10,127,173)	(4,387,326)
Profit before tax		865,966	304,905
Taxation expense	29	(429,091)	(84,994)
Profit for the year	30	436,875	219,911
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold property (net of tax)	6	1,795	1,877
Total other comprehensive income		1,795	1,877
Total comprehensive income for the year		438,670	221,788

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $'000	Capital contribution reserve $'000	Revaluation reserve $'000	Accumulated surplus $'000	Total $'000
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	20	–	–	–	(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
At 1 January 2019		526,557	–	18,658	734,866	1,280,081
Total comprehensive income for the year						
Profit for the year		–	–	–	436,875	436,875
Other comprehensive income						
Gain on revaluation of leasehold property	6	–	–	1,795	–	1,795
Total comprehensive income for the year		–	–	1,795	436,875	438,670
Transactions with owner, recorded directly in equity						
Dividends to equity holder	20	–	–	–	(286,200)	(286,200)
Transferred to accumulated surplus		–	–	–	–	–
Total transactions with owner		–	–	–	(286,200)	(286,200)
At 31 December 2019		526,557	–	20,453	885,541	1,432,551

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

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Profit before tax		865,966	304,905
Adjustments for:			
Amortisation of club membership		434	24
Amortisation/(reversal) of intangible assets	7	13,996	(2,218)
Depreciation of property and equipment	6	19,254	26,283
Depreciation of right-of-use assets	8	27,010	–
Equity settled share-based compensation expense	31	50	536
Interest, rental and other investment income	24	(794,202)	(715,040)
Loss on disposal of property and equipment		200	102
Interest expense on lease liabilities	8	3,029	–
Write-off of ROU asset and lease liability		18	–
Net realised gains and fair value changes on financial assets at fair value through profit or loss	24	(4,050,015)	1,884,444
		(3,914,260)	1,499,036
Changes in operating assets and liabilities:			
Loans and receivables and insurance and other receivables		(6,216)	(4,411)
Reinsurers' share of insurance contract liabilities	10	(134,219)	166,157
Gross insurance contract liabilities	13	5,859,177	321,655
Investment contract liabilities	13	(9,572)	(36,784)
Insurance and other payables		166,996	(88,263)
Cash generated from operations		1,961,906	1,857,390
Income taxes paid		(74,706)	(75,544)
Net cash from operating activities		1,887,200	1,781,846
Cash flows from investing activities			
Dividends received		480,974	448,622
Interest received		282,806	265,826
Purchase of a corporate loan		–	(13,598)
Proceeds from sale of a corporate loan		–	51,248
Proceeds from sale of investments		35,473,391	19,422,034
Proceeds from disposal of property and equipment		353	2,227
Net (purchase)/disposal of intangible assets	7	(4,333)	11,297
Purchase of investments		(37,792,787)	(22,070,948)
Purchase of property and equipment	6	(11,890)	(53,356)
Rental received		1,006	1,207
Net cash used in investing activities		(1,570,480)	(1,935,441)
Cash flow from financing activities			
Dividends paid	20	(286,200)	(250,200)
Payment of lease liabilities	8	(25,738)	–
Interest paid on lease liabilities	8	(3,029)	–
Net cash used in financing activities		(314,967)	(250,200)
Net increase/(decrease) in cash and cash equivalents		1,753	(403,795)
Cash and cash equivalents at beginning of the year		584,196	987,991
Cash and cash equivalents at end of the year		585,949	584,196
Cash and cash equivalents comprise:			
Cash at bank and in hand, including short-term time deposits	12	585,949	584,196
Cash collateral received	12	132,543	124,592
		718,492	708,788

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 12 March 2020.

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.

This is the first set of the Company's annual financial statements in which FRS 116 *Leases* has been applied. The related changes to significant accounting policies are described in Note 3(m).

(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 has been rounded to the nearest thousand, unless otherwise stated.

2 BASIS OF PREPARATION (CONTINUED)

(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.

(e) Changes in accounting policies

New standards and amendments

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2019:

- FRS 116 *Leases (as disclosed in Note 3(m))*

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in Note 2(e), which addresses the changes in accounting policies.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

(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, 1 Angel Court, London, EC2R 7AG, 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.

3

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Insurance contracts – classification (continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Insurance contracts – classification (continued)

(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)

3

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Insurance contracts – recognition and measurement (continued)

(iii) Insurance contract liabilities (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Insurance contracts – recognition and measurement (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property and equipment (continued)

(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	20% to 33 1/3%
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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, bank deposits and pledged 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases

The Company has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the lessee's incremental borrowing rate.

The Company determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, if the Company changes its assessment of whether it will exercise an extension option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company separately presents right-of-use assets that do not meet the definition of investment property and lease liabilities in the statement of financial position.

Leases – Policy applicable before 1 January 2019

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.

(n) 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.

(o) 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Tax (continued)

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.

(p) 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Other revenue and expenditure recognition (continued)

(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) 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.

(vi) 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.

(q) 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.

(r) 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.

3

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New standards and interpretations not adopted

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

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New standards and interpretations not adopted (continued)

(i) Applicable to 2018 financial statements (continued)

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 2019 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 21 respectively, together with all other financial assets[1].

(ii) 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.

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.

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 13.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Insurance contract liabilities (including liabilities in respect of insurance products classified as investment contracts with DPF) (continued)

(i) Process used to determine assumptions (continued)

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	2019 %	2018 %
1 year	1.61	1.91
2 years	1.51	1.86
3 years	1.53	1.88
4 years	1.55	1.90
5 years	1.57	1.91
6 years	1.60	1.95
7 years	1.64	1.98
8 years	1.68	2.01
9 years	1.72	2.04
10 years	1.76	2.07
11 years	1.78	2.12
12 years	1.81	2.16
13 years	1.83	2.20
14 years	1.86	2.25
15 years	1.88	2.29
16 years	2.12	2.49
17 years	2.37	2.70
18 years	2.61	2.90
19 years	2.86	3.10
20 years and above	3.10	3.30

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Insurance contract liabilities (including liabilities in respect of insurance products classified as investment contracts with DPF) (continued)

(i) Process used to determine assumptions (continued)

Discount rate (continued)

USD denominated liabilities	2019 %	2018 %
1 year	1.56	2.57
2 years	1.56	2.47
3 years	1.61	2.44
4 years	1.65	2.47
5 years	1.69	2.50
6 years	1.76	2.53
7 years	1.83	2.57
8 years	1.86	2.61
9 years	1.90	2.65
10 years	1.93	2.69
11 years	1.97	2.72
12 years	2.01	2.74
13 years	2.05	2.77
14 years	2.08	2.80
15 years	2.12	2.83
16 years	2.16	2.86
17 years	2.20	2.88
18 years	2.24	2.91
19 years	2.28	2.94
20 years	2.32	2.97
21 years	2.33	2.98
22 years	2.34	2.99
23 years	2.36	3.00
24 years	2.37	3.01
25 years	2.38	3.02
26 years	2.39	3.02
27 years	2.41	3.03
28 years	2.42	3.04
29 years	2.43	3.05
30 years and above	2.45	3.06

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 1.72% to 5.22% (2018: 2.86% to 5.92%).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Insurance contract liabilities (including liabilities in respect of insurance products classified as investment contracts with DPF) (continued)

(i) Process used to determine assumptions (continued)

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% (2018: 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 2019 $'000	Change in liability 2018 $'000
Worsening of mortality and morbidity	+10%	–	–
Lowering of investment returns	-1%	2,224,532	3,293,069
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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(a) Insurance contract liabilities (including liabilities in respect of insurance products classified as investment contracts with DPF) (continued)

(ii) Sensitivity analysis (continued)

Life insurance non-par contracts

Variable	Change in variable	Change in liability 2019 $'000	Change in profit/equity 2019 $'000	Change in liability 2018 $'000	Change in profit/equity 2018 $'000
Worsening of mortality and morbidity	+10%	86,625	(71,898)	76,199	(63,245)
Lowering of investment returns	-1%	376,279	(312,312)	310,392	(257,626)
Worsening of base renewal expense level	+10%	4,297	(3,566)	3,627	(3,010)
Worsening of renewal expense inflation rate	+2%	4,006	(3,325)	3,520	(2,922)
Worsening of lapse rate	-10%	43,909	(36,444)	27,528	(22,848)

Investment-linked contracts (non-unit reserves)

Variable	Change in variable	Change in liability 2019 $'000	Change in profit/equity 2019 $'000	Change in liability 2018 $'000	Change in profit/equity 2018 $'000
Worsening of mortality and morbidity	+10%	1,901	(1,578)	1,964	(1,630)
Lowering of investment returns	-1%	1,495	(1,241)	1,621	(1,345)
Worsening of base renewal expense level	+10%	2,670	(2,217)	3,150	(2,614)
Worsening of renewal expense inflation rate	+2%	3,393	(2,816)	4,269	(3,543)
Worsening of lapse rate	-10%	1,499	(1,244)	1,581	(1,312)

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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 207% (2018: 206%).

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.

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2019, the minimum condition liability, which includes only guaranteed benefits, is $15.0 billion (2018: $12.3 billion) and is significantly below the policy assets of $26.4 billion (2018: $21.6 billion). The corresponding policy liability, which would include future bonuses at a level which meets policyholders' reasonable expectations, is $23.6 billion (2018: $20.6 billion). The policy assets in excess of the policy liabilities, amounting to $2.8 billion (2018: $1.0 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Insurance risk (continued)

(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 concentration 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.

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Insurance risk (continued)

(i) Management of insurance risk (continued)

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.

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

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.

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(i) Market risk (continued)

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
2019				
Assets				
Equity securities	–	–	6,326,253	6,326,253
Debt securities	10,491,761	960,155	–	11,451,916
Collective investment schemes	–	–	24,429,527	24,429,527
Derivative financial instruments	–	–	154,763	154,763
Loans and receivables	548,340	–	159,866	708,206
Reinsurers' share of insurance contract liabilities	–	–	1,061,281	1,061,281
Insurance and other receivables	–	–	249,777	249,777
Cash and cash equivalents	718,492	–	–	718,492
	11,758,593	960,155	32,381,467	45,100,215
Liabilities				
Gross insurance contract liabilities (including investment contracts with DPF)	(10,084,465)	(2,055,650)	(26,575,441)	(38,715,556)
Insurance and other payables	(2,072,403)	–	(1,367,892)	(3,440,295)
Derivative financial instruments	–	–	(46,957)	(46,957)
	(12,156,868)	(2,055,650)	(27,990,290)	(42,202,808)
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)

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(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
2019						
Assets						
Property and equipment	167,432	–	–	–	–	167,432
Intangible assets	286,142	–	–	–	–	286,142
Investments and loans						
– Equity securities	2,003,232	946,129	–	1,081,280	2,295,612	6,326,253
– Debt securities	9,950,889	1,363,265	37,859	48,500	51,403	11,451,916
– Collective investment schemes	8,702,425	12,129,184	2,925,734	232,409	439,775	24,429,527
– Derivative financial instruments	6,655,647	(4,791,530)	(1,710,382)	(49,031)	50,059	154,763
– Loans and receivables	677,154	21,993	513	307	8,239	708,206
Reinsurers' share of insurance contract liabilities	257,881	803,400	–	–	–	1,061,281
Insurance and other receivables	241,294	8,483	–	–	–	249,777
Cash and cash equivalents	280,066	293,921	86,682	2,393	55,430	718,492
	29,222,162	10,774,845	1,340,406	1,315,858	2,900,518	45,553,789
Liabilities						
Gross insurance contract liabilities (including investment contracts with DPF)	(36,106,113)	(2,609,443)	–	–	–	(38,715,556)
Insurance and other payables	(3,264,944)	(161,278)	(58)	(13,422)	(593)	(3,440,295)
Derivative financial instruments	394,408	(247,979)	231,807	172	(425,365)	(46,957)
Provision for tax	(112,211)	–	–	–	–	(112,211)
Deferred tax liabilities	(1,710,186)	–	–	–	–	(1,710,186)
Lease liabilities	(96,033)	–	–	–	–	(96,033)
	(40,895,079)	(3,018,700)	231,749	(13,250)	(425,958)	(44,121,238)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(ii) Foreign currency risk (continued)

	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)

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

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 2019 $'000	Change in equity 2019 $'000	Change in profit 2018 $'000	Change in equity 2018 $'000
Equity prices				
+10%	9,316	7,732	8,784	7,291
-10%	(9,665)	(8,022)	(9,179)	(7,618)
Interest rates				
+10 basis points	(11,695)	(9,706)	(10,112)	(8,393)
-10 basis points	11,493	9,539	9,498	7,883
Foreign currency				
+5%	28	23	15	13
-5%	(28)	(23)	(15)	(13)

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

Variable	Change in investments and loans 2019 $'000	Change in gross insurance contract liabilities 2019 $'000	Change in investments and loans 2018 $'000	Change in gross insurance contract liabilities 2018 $'000
Equity prices				
+10%	1,070,122	1,060,806	908,038	899,253
-10%	(1,070,166)	(1,060,501)	(908,074)	(898,896)
Interest rates				
+10 basis points	(160,197)	(148,502)	(142,345)	(132,233)
-10 basis points	160,225	148,732	142,349	132,850
Foreign currency				
+5%	467,597	467,569	371,095	371,080
-5%	(467,597)	(467,569)	(371,095)	(371,080)

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(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
2019					
Gross insurance contract liabilities (including investment contracts with DPF)	10,650,513	1,054,711	5,528,257	21,482,075	38,715,556
Insurance and other payables	–	3,411,000	29,295	–	3,440,295
Derivative financial instruments	1,612	34,825	10,520	–	46,957
Lease liabilities	–	24,752	53,099	18,182	96,033
	10,652,125	4,525,288	5,621,171	21,500,257	42,298,841
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

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

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(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
2019						
Debt securities						
– Government bonds	6,425,816	60,601	35,420	12,730	1,101,935	7,636,502
– Corporate and other bonds	209,457	161,600	866,396	1,371,938	1,206,023	3,815,414
Loans and receivables*	–	–	–	–	708,206	708,206
Reinsurers' share of insurance contract liabilities	–	1,061,281	–	–	–	1,061,281
Other receivables*	–	47,950	3,798	1,851	196,178	249,777
Cash and cash equivalents*	–	110,080	607,203	9,206	(7,997)	718,492
	6,635,273	1,441,512	1,512,817	1,395,725	3,204,345	14,189,672
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

* 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Financial risk (continued)

(iv) Credit risk (continued)

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 (2018: 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).

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Estimation of fair values (continued)

Derivative financial instruments (continued)

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
2019				
Forward exchange contracts	7,268,328	1,589,311	107,384	(25,130)
Futures contracts	2,727,722	1,682,763	40,970	(6,157)
Currency swap contracts	58,319	80,500	690	(2,512)
Interest rate swap contracts	206,000	185,462	4,376	(6,344)
Equity index options	319,071	319,071	1,343	(6,814)
	10,579,440	3,857,107	154,763	(46,957)
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)

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).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Estimation of fair values (continued)

Financial assets and financial liabilities carried at fair value

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2019				
Equity securities	6,148,403	73,616	104,234	6,326,253
Debt securities	9,729,019	1,722,897	–	11,451,916
Collective investment schemes	22,680,644	1,664,520	84,363	24,429,527
Derivative financial assets	40,970	113,793	–	154,763
Derivative financial liabilities	(6,157)	(40,800)	–	(46,957)
	38,592,879	3,534,026	188,597	42,315,502
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

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

	Note	2019 $'000	2018 $'000
Cash and cash equivalents	12	718,492	708,788
Loans and receivables		708,206	657,454
Other receivables	11	74,221	109,186
Other payables	14	(525,867)	(539,515)
		975,052	935,913

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 2019	95,392	80,441	–	175,833
Net (losses)/gains included in profit or loss for the year presented in investment income	8,842	(11,734)	–	(2,892)
Purchases	–	15,848	–	15,848
Sales	–	(192)	–	(192)
At 31 December 2019	104,234	84,363	–	188,597
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

5

CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Estimation of fair values (continued)

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 loan 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Estimation of fair values (continued)

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
2019						
Financial assets						
Amount due from related companies (non-insurance)	11	8,808	(8,808)	–	–	–
Other receivables	11	64,715	–	64,715	(20,894)	43,821
		73,523	(8,808)	64,715	(20,894)	43,821
Financial liabilities						
Amount due to related companies (non-insurance)	14	(43,138)	8,808	(34,330)	–	(34,330)
Other payables and accrued expenses	14	(301,249)	–	(301,249)	20,894	(280,355)
		(344,387)	8,808	(335,579)	20,894	(314,685)
2018						
Financial assets						
Amount due from related companies (non-insurance)	11	10,667	(10,548)	119	–	119
Other receivables	11	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)	14	(49,475)	10,548	(38,927)	–	(38,927)
Other payables and accrued expenses	14	(325,095)	–	(325,095)	40,954	(284,141)
		(374,570)	10,548	(364,022)	40,954	(323,068)

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

	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 2018	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
At 1 January 2019	33,300	5,027	87,743	1,133	38,246	165,449
Recognition of right-of-use assets on initial application of FRS 116	–	–	–	–	(5,622)	(5,622)
Adjusted balance at 1 January 2019	33,300	5,027	87,743	1,133	32,624	159,827
Additions	–	163	9,790	206	1,731	11,890
Disposals	–	(49)	(261)	(828)	(12)	(1,150)
Gain on revaluation	1,795	–	–	–	–	1,795
Reversal of depreciation on revaluation	(595)	–	–	–	–	(595)
At 31 December 2019	34,500	5,141	97,272	511	34,343	171,767
Accumulated depreciation						
At 1 January 2018	–	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
At 1 January 2019	–	2,953	65,270	392	18,318	86,933
Recognition of right-of-use assets on initial application of FRS 116	–	–	–	–	(2,716)	(2,716)
Adjusted balance at 1 January 2019	–	2,953	65,270	392	15,602	84,217
Depreciation charge for the year	595	605	12,567	102	5,385	19,254
Disposals	–	(49)	(180)	(366)	(2)	(597)
Reversal of depreciation on revaluation	(595)	–	–	–	–	(595)
At 31 December 2019	–	3,509	77,657	128	20,985	102,279
Carrying amounts						
At 1 January 2018	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
At 31 December 2019	34,500	1,632	19,615	383	13,358	69,488

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YEAR ENDED 31 DECEMBER 2019

6 PROPERTY AND EQUIPMENT (CONTINUED)

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 2019. 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.

$1,795,000 (2018: $1,877,000) of revaluation gain was credited to the revaluation reserve.

The approximate carrying amount of leasehold property would have been $12,841,000 (2018: $13,298,000) 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 2018	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
Net additions	–	–	4,333	4,333
At 31 December 2019	231,279	29,787	112,785	373,851
Accumulated amortisation				
At 1 January 2018	–	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
Net amortisation charge/ (reversal) for the year	–	1,490	12,506	13,996
At 31 December 2019	–	14,894	72,815	87,709
Carrying amounts				
At 1 January 2018	231,279	17,873	55,732	304,884
At 31 December 2018	231,279	16,383	48,143	295,805
At 31 December 2019	231,279	14,893	39,970	286,142

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 2.50% to 5.94% (2018: 2.81% to 5.96%).

(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 1.00% to 8.52% (2018: 1.30% to 8.57%).

Others

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

Intangible assets are non-current assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

8 RIGHT-OF-USE ASSETS

Leases as lessee (FRS 116)

The Company leases office space. The leases typically run for a period of 3 to 6 years, with an option to renew the lease after that date. Lease payments are renegotiated every 3 to 6 years to reflect market rentals.

The office space leases were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under FRS 17.

Information about leases for which the Company is a lessee is presented below.

Right-of-use assets

	Office Space 2019 $'000
Balance at 1 January	125,789
Depreciation charge for the year	(27,010)
Additions to right-of-use assets	295
Derecognition of right-of-use assets	(1,130)
Balance at 31 December	97,944

Amounts recognised in profit or loss

	$'000
2019 – Lease under FRS 116	
Interest on lease liabilities	3,029
2018 – Operating lease under FRS 17	
Lease expense	30,176

Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	28,767

Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Company has estimated that the potential future lease payments, should it exercise the extension option, would result in an increase in undiscounted lease liabilities of $51,353,000.

9 INVESTMENTS AND LOANS

	Note	2019 $'000	2018 $'000
Financial assets designated at fair value through profit or loss			
Equity securities			
– Listed equity securities		6,222,014	4,988,045
– Unlisted equity securities		104,239	95,392
		6,326,253	5,083,437
Debt securities			
– Government bonds		7,636,502	5,860,822
– Listed corporate and other bonds		3,629,003	3,020,737
– Unlisted corporate and other bonds		186,411	237,775
		11,451,916	9,119,334
Collective investment schemes		24,429,527	21,684,411
Derivative financial instruments	5(d)	154,763	121,880
Loans and receivables			
Investment income receivables		159,866	130,450
Policy loans		548,340	527,004
		708,206	657,454
Total investments and loans		43,070,665	36,666,516
Current portion		33,745,176	28,555,931
Non-current portion		9,325,489	8,110,585
		43,070,665	36,666,516

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	
2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 %	2018 %
59,227	88,925	61,203	93,371	103	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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

10 REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	2019 $'000	2018 $'000
Reinsurers' share of insurance contract liabilities	1,061,281	927,062

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

	2019 $'000	2018 $'000
At 1 January	927,062	1,093,219
Increase/(decrease) in reinsurers' share of insurance contract liabilities	134,219	(166,157)
At 31 December	1,061,281	927,062
Current portion	–	–
Non-current portion	1,061,281	927,062
	1,061,281	927,062

11 INSURANCE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Receivables arising from insurance and reinsurance contracts:		
– Due from policyholders	95,286	100,315
– Due from agents	23,082	18,895
– Due from reinsurers	44,092	26,869
	162,460	146,079
Prepayments	13,096	10,067
Other receivables:		
– Amounts due from related companies (non-insurance)	–	119
– Other receivables	64,715	92,965
– Collateral deposits placed with financial institutions	9,506	16,102
	74,221	109,186
	249,777	265,332
Current portion	249,368	264,580
Non-current portion	409	752
	249,777	265,332

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 (2018: nil).

12 CASH AND CASH EQUIVALENTS

	2019 $'000	2018 $'000
Cash at bank and in hand	208,869	374,900
Short-term time deposits	377,080	209,296
	585,949	584,196
Cash collateral received	132,543	124,592
	718,492	708,788

The effective interest rate on short-term time deposits was 1.77% (2018: 1.34%) per annum and the deposits have an average maturity of less than 167 days (2018: less than 2 days).

Cash collateral received represents bank balances received under the securities lending programme (see Note 9) and derivatives transactions.

13 GROSS INSURANCE CONTRACT LIABILITIES

	Note	2019 $'000	2018 $'000
Long term insurance contracts:			
– Life insurance par contracts	13(i)	24,703,929	20,164,772
– Life insurance non-par contracts	13(ii)	3,128,303	2,757,285
– Investment-linked contracts			
– Unit reserves	13(iii)	10,650,513	9,730,406
– Non-unit reserves	13(iv)	10,992	13,761
		38,493,737	32,666,224
Provision for outstanding claims		221,819	190,155
Total insurance contract liabilities		38,715,556	32,856,379
Long term investment contracts:			
– Life investment contracts with DPF	13(v)	–	9,572
Total insurance contract liabilities (including investment contracts with DPF)		38,715,556	32,865,951
Current portion		221,819	190,155
Non-current portion		38,493,737	32,675,796
		38,715,556	32,865,951

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

- an amount of $897.4 million (2018: $800.9 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 $504.3 million (2018: $415.0 million).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

13 GROSS INSURANCE CONTRACT LIABILITIES (CONTINUED)

Movements in insurance contract liabilities

(i) Life insurance par contracts

	2019 $'000	2018 $'000
At 1 January	20,164,772	18,982,280
Premiums received, net of reinsurance	4,277,717	3,579,286
Claims and surrenders	(1,667,121)	(1,292,251)
Expenses:		
– Operating	(603,760)	(544,638)
– Non-operating	(74,322)	(66,571)
Movement in deferred tax	(306,522)	(13,150)
Income:		
– Investment income	3,013,516	(399,759)
– Other expense	(45,611)	(31,455)
Transfer to shareholders' fund	(54,740)	(48,970)
At 31 December	24,703,929	20,164,772

(ii) Life insurance non-par contracts

	2019 $'000	2018 $'000
At 1 January	2,757,285	2,980,025
Valuation premiums	34,979	28,426
Liabilities released for payments on death and other terminations	(140,936)	(289,287)
Accretion of interest	82,260	42,074
Other movements	29,273	24,829
New business	60,304	77,187
Change in valuation basis:		
– Discount rate	311,462	(105,073)
– Others	(6,324)	(896)
At 31 December	3,128,303	2,757,285

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.

13 GROSS INSURANCE CONTRACT LIABILITIES (CONTINUED)

Movements in insurance contract liabilities (continued)

(iii) Investment-linked contracts (unit reserves)

	2019 $'000	2018 $'000
At 1 January	9,730,406	10,383,350
Premiums received	833,580	1,244,836
Fees deducted from account balances of investment-linked contracts	(303,885)	(317,929)
Liabilities released for payments on death, surrender and other terminations	(960,183)	(859,622)
Changes in unit prices	1,355,325	(716,327)
Other movements	(4,730)	(3,902)
At 31 December	10,650,513	9,730,406

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

	2019 $'000	2018 $'000
At 1 January	13,761	16,344
Premiums received	(631)	3,008
Fees deducted from account balances	981	(4,024)
Liabilities released for payments on death, surrender and other terminations	(301)	(355)
Accretion of interest	(1)	24
Changes in unit prices (within insurance benefits)	(1,732)	1,068
New business	(1,058)	(2,574)
Change in valuation basis:		
– Discount rate	(58)	247
– Others	31	23
At 31 December	10,992	13,761

(v) Life investment contracts with DPF

	2019 $'000	2018 $'000
At 1 January	9,572	46,356
Claims and surrenders	(10,315)	(31,142)
Investment income	–	206
Others	743	(5,848)
At 31 December	–	9,572

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YEAR ENDED 31 DECEMBER 2019

14 INSURANCE AND OTHER PAYABLES

	Note	2019 $'000	2018 $'000
Payables arising from insurance and reinsurance contracts:			
– Insurance contract payables		2,156,143	2,072,485
– Reinsurance payables		758,285	653,053
		2,914,428	2,725,538
Other payables:			
– Provision for agency expenses		17,163	19,375
– Share-based payment liability	31	40,582	31,526
– Amount due to related companies (non-insurance)		34,330	38,927
– Cash collateral received	12	132,543	124,592
– Other payables and accrued expenses		301,249	325,095
		525,867	539,515
		3,440,295	3,265,053
Current portion		3,411,000	3,238,378
Non-current portion		29,295	26,675
		3,440,295	3,265,053

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.

15 FINANCIAL LIABILITIES

	Note	2019 $'000	2018 $'000
Derivative financial instruments	5(d)	46,957	62,922
Current portion		36,437	60,682
Non-current portion		10,520	2,240
		46,957	62,922

16 DEFERRED TAX LIABILITIES

	Note	2019 $'000	2018 $'000
At 1 January		1,403,929	1,391,602
Net provision made during the year	29	306,257	12,327
At 31 December		1,710,186	1,403,929

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

	Assets		Liabilities		Net	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Short-term timing differences	(5,432)	(5,052)	–	–	(5,432)	(5,052)
Capital allowances for property and equipment	–	–	2,262	2,373	2,262	2,373
Tax on future distributions	–	–	1,713,356	1,406,608	1,713,356	1,406,608
Deferred tax (assets)/liabilities	(5,432)	(5,052)	1,715,618	1,408,981	1,710,186	1,403,929

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.

17 LEASE LIABILITIES

	2019 $'000
Current portion	24,752
Non-current portion	71,281
	96,033

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

18 SHARE CAPITAL

	2019 No. of shares ('000)	2018 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.

19 RESERVES

	Note	2019 $'000	2018 $'000
Revaluation reserve	6	20,453	18,658

The revaluation reserve relates to the revaluation of leasehold property.

20 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:

	2019 $'000	2018 $'000
Interim dividends		
$0.54 (2018: $0.48) per qualifying share	286,200	250,200

21 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
2019							
Financial assets							
Investments and loans							
– Equity securities	9	6,326,253	–	–	–	6,326,253	6,326,253
– Debt securities	9	11,451,916	–	–	–	11,451,916	11,451,916
– Collective investment schemes	9	24,429,527	–	–	–	24,429,527	24,429,527
– Derivative financial instruments	9	–	154,763	–	–	154,763	154,763
– Loans and receivables*	9	–	–	708,206	–	708,206	708,206
Other receivables*	11	–	–	74,221	–	74,221	74,221
Cash and cash equivalents*	12	–	–	718,492	–	718,492	718,492
		42,207,696	154,763	1,500,919	–	43,863,378	43,863,378
Financial liabilities							
Other payables	14	–	–	–	(525,867)	(525,867)	(525,867)
Derivative financial instruments	15	–	(46,957)	–	–	(46,957)	(46,957)
		–	(46,957)	–	(525,867)	(572,824)	(572,824)
2018							
Financial assets							
Investments and loans							
– Equity securities	9	5,083,437	–	–	–	5,083,437	5,083,437
– Debt securities	9	9,119,334	–	–	–	9,119,334	9,119,334
– Collective investment schemes	9	21,684,411	–	–	–	21,684,411	21,684,411
– Derivative financial instruments	9	–	121,880	–	–	121,880	121,880
– Loans and receivables*	9	–	–	657,454	–	657,454	657,454
Other receivables*	11	–	–	109,186	–	109,186	109,186
Cash and cash equivalents*	12	–	–	708,788	–	708,788	708,788
		35,887,182	121,880	1,475,428	–	37,484,490	37,484,490
Financial liabilities							
Other payables	14	–	–	–	(539,515)	(539,515)	(539,515)
Derivative financial instruments	15	–	(62,922)	–	–	(62,922)	(62,922)
		–	(62,922)	–	(539,515)	(602,437)	(602,437)

* 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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

22 NET INSURANCE PREMIUMS

	Insurance premiums		Reinsurance premiums		Net insurance premiums	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Life insurance par contracts	4,281,205	3,582,333	(3,488)	(3,047)	4,277,717	3,579,286
Life insurance non-par contracts	1,066,601	979,858	(205,896)	(23,287)	860,705	956,571
Investment-linked contracts	833,580	1,244,836	(8,145)	(9,638)	825,435	1,235,198
	6,181,386	5,807,027	(217,529)	(35,972)	5,963,857	5,771,055

23 FEES AND COMMISSION INCOME

	2019 $'000	2018 $'000
Fee income	25,266	19,130
Reinsurance commission	153,003	67,252
	178,269	86,382

24 INVESTMENT INCOME/(EXPENSE)

	2019 $'000	2018 $'000
Interest income		
– Debt securities	255,794	235,106
– Loans and receivables	30,997	32,631
– Cash and cash equivalents	4,238	3,903
Dividend income	502,167	442,193
Rental income	1,006	1,207
	794,202	715,040
Net realised gains and fair value changes on financial assets at fair value through profit or loss	4,050,015	(1,884,444)
Exchange losses	(3,793)	(2,049)
	4,840,424	(1,171,453)
Life insurance par contracts (including investment contracts with DPF)	3,013,230	(401,673)
Life insurance non-par contracts	465,158	(50,967)
Investment-linked contracts	1,358,422	(719,505)
Investment income from insurance operations	4,836,810	(1,172,145)
Shareholders' fund	3,614	692
	4,840,424	(1,171,453)

25 NET CLAIMS AND BENEFITS INCURRED

	2019 $'000	2018 $'000
Long-term insurance contracts		
Life insurance par contracts (including investment contracts with DPF)		
Net claims, maturity and surrender benefits	1,677,438	1,323,393
Increase in liabilities during the year	4,529,584	1,145,708
Reinsurers' share of increase/(decrease) in liabilities during the year	769	(394)
Life insurance non-par contracts		
Net claims, maturity and surrender benefits	560,086	553,458
Increase/(decrease) in liabilities during the year	371,018	(222,740)
Reinsurers' share of (decrease)/increase in liabilities during the year	(134,988)	166,551
Investment-linked contracts		
Net claims, maturity and surrender benefits	1,014,242	908,217
Increase/(decrease) in liabilities during the year	917,338	(655,527)
Shareholders' fund claims expenses		
Net claims, maturity and surrender benefits	102	21
	8,935,589	3,218,687

NOTES TO THE FINANCIAL STATEMENTS

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26 COMMISSION AND DISTRIBUTION COSTS

	2019 $'000	2018 $'000
Commission expenses	545,675	509,089
Other acquisition costs	168,727	170,380
	714,402	679,469

Included in commission expenses is $6,052,000 (2018: $1,988,000) of the share-based compensation expenses.

27 STAFF COSTS

	2019 $'000	2018 $'000
Salaries and benefits in kind	153,110	133,748
Contributions to Central Provident Fund	12,690	11,038
Share-based compensation expenses	4,075	3,250
	169,875	148,036

28 OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	2019 $'000	2018 $'000
Administrative expenses	34,052	25,616
Operational expenses	32,080	60,595
Advertising and promotional expenses	16,016	30,946
Investment expenses	121,129	118,359

29 TAXATION

	Note	2019 $'000	2018 $'000
Current tax expense			
Current year		128,828	72,667
Adjustment for prior periods		(5,994)	–
		122,834	72,667
Deferred tax expense			
Origination and reversal of temporary differences	16	306,257	12,327
Total income tax expense		429,091	84,994

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.

	2019 $'000	2018 $'000
Reconciliation of effective tax charge		
Profit before tax	865,966	304,905
Income tax using domestic corporation tax rate of 17% (2018: 17%)	147,214	51,834
Taxation relating to insurance funds	307,954	52,957
Non-deductible expenses	3,198	7,586
Adjustment for prior periods	(5,994)	–
Non-taxable income	(29,491)	(25,871)
Others	6,210	(1,512)
	429,091	84,994

30 PROFIT/(LOSS) FOR THE YEAR BY FUND

	2019 $'000	2018 $'000
Life insurance par contracts (including investment contracts with DPF)	45,436	40,646
Life insurance non-par contracts	313,939	156,129
Investment-linked contracts	122,437	87,322
Shareholders' fund	(44,937)	(64,186)
	436,875	219,911

NOTES TO THE FINANCIAL STATEMENTS

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31 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.

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SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

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	2019 Number of options	2018 Number of options
	$		
Options outstanding			
At 1 January	18.06	–	3,660
– Transfer in	18.06	–	–
– Vested	18.06	–	(3,660)
– Withdrawn	18.06	–	–
At 31 December	18.06	–	–
Awards outstanding			
At 1 January		3,004,106	2,659,127
– Granted		448,963	853,857
– Vested		(149,834)	(500,484)
– Withdrawn		(435,365)	(8,394)
At 31 December		2,867,870	3,004,106

NOTES TO THE FINANCIAL STATEMENTS

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31 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

(ii) Non-employee share-based compensation plans (continued)

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. There were no outstanding share options in 2019.

	Note	2019 $'000	2018 $'000
Share-based compensation expense			
– Amount accounted for as cash settled		6,052	1,988
– Amount accounted for as equity settled		4,075	3,250
Carrying value at 31 December of liabilities arising from share-based payment transactions	14	40,582	31,526

32 COMMITMENTS

Capital commitments

	2019 $'000	2018 $'000
Contracted at the reporting date but not provided for	8,665	5,516

33 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:

	2019 $'000	2018 $'000
Charges for life administration and operation services rendered by related corporations	23,448	39,692
Charges for management services provided to immediate holding company	164	173
Charges for management services rendered by a related corporation	17,953	22,434
Recovery of expense by a related corporation	28,316	28,771
Investment management fees (net) paid to a related corporation	42,239	41,318
Recovery of expense from related corporations	3,175	1,582
Salaries and other short-term employee benefits to key management	10,058	10,117

34 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.