PRUDENTIAL

Listening. Understanding. Delivering.

2020

- ANNUAL REPORT -

Contents

01 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$49.3 billion funds under management as at 31 December 2020. 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 90 years, delivering a suite of product offerings and professional advisory through our network of more than 5,000 financial consultants and our bank partners.

Our 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 close to 1 million customers and are committed to helping them live well for longer by taking care of their health and wealth needs. Our 1,200 employees make it their goal to create the best customer experiences and to help people get the most out of life.

"With strong continued demand for our solutions and services, Prudential Singapore achieved a solid performance in 2020 with New Business Sales of S$841 million. Total funds under management increased 14% to S$49 billion."

Dennis Tan
Chief Executive Officer

02 CEO's Statement

Steady 2020 Performance in a COVID Year

2020 was a turning point for Prudential Singapore, in which we proved our mettle and overcame the challenges unleashed by the global COVID-19 pandemic. We did this by drawing on the strength built up over our 90-year history in Singapore. Our deep capital reserves, robust digital infrastructure and tenacity of our people ensured that we prevailed and continued to support our community, keep serving our customers and thrive as a business during those unprecedented times.

The investments we had made over the recent years in technology and in creating a flexible and digital work culture based on empowerment and accountability meant that we were able to quickly switch to remote working and to remote servicing of our customers. During the Circuit Breaker period, we ramped up digital communications to reach out to customers, so that we could continue to share important information with them. Thanks to the quick and steady response from the Singapore government and partnership from the private sector, businesses and individuals alike were cushioned from the pandemic's impact.

With strong continued demand for our solutions and services, Prudential Singapore achieved a solid performance in 2020 with New Business Sales of S$841 million. Total funds under management increased 14% to S$49 billion.

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

Staying close to our customers

Prudential's rapid deployment of new technology meant that we continued to stay connected with our customers, even when face-to-face interaction was limited during the Circuit Breaker period.

Our 5,000 strong team of financial consultants and bank partners, United Overseas Bank (UOB) and Standard Chartered Bank (SCB) were there by our customers' sides, communicating virtually to provide advice on securing their future. Even today, when face-to-face interaction is permitted with safe management measures in place, a significant portion of sales continue to be closed through our remote sales advisory platform, signalling a deeper level of comfort among customers in engaging online.

Meeting a growing demand for health and wealth planning

As Singaporeans have adapted to living in a world with the COVID-19 virus, awareness on the importance of planning for the health and wealth needs of their families has increased. The pandemic highlighted just how unpredictable life can be, and just how important it is to take care of ourselves. With more people engaging our financial consultants on how to secure their future for themselves and their families, our net customer base grew 3% in 2020.

In the High Net Worth (HNW) segment, we grew the number of private wealth consultants by 16% to more than 100 to support the growing demand from wealthy customers.

Our group insurance business too continued to grow as more companies chose Prudential as their preferred insurer in protecting their employees. We added 18% more enterprise customers to our fold such that we now serve 2,300 companies in all. We also increased the number of individual lives covered by 43% to more than 170,000 employees, increasing the opportunity for us to have personal financial planning discussions with them.

Focusing on four 'P's to accelerate growth

As we adapted to the 'new normal', our focus on four 'P's – *Pulse*, Products, Productivity and Professionalism – were key to our success.

> **"The investments we had made over the recent years in technology and in creating a flexible and digital work culture based on empowerment and accountability meant that we were able to quickly switch to remote working and to remote servicing of our customers."**

As we adapted to the 'new normal', our focus on four 'P's – *Pulse*, Products, Productivity and Professionalism – were key to our success.

Helping customers on their health and wealth journey with *Pulse* - In April, we launched *Pulse by Prudential*, our wellness app, to provide all Singapore residents with round-the-clock access to healthcare services and real-time health information. With *Pulse*, users can check their symptoms; conduct a digital health assessment to better understand future disease risks; and seek timely health advice via video consultation with a doctor. These features enabled users to access health information and services, and stay safe during the peak of the pandemic. The *Pulse* app achieved more than 135,000 downloads in 2020, and we intend to add on more features to help customers to manage their health and wealth better.

Pulse is a key part of our customer engagement strategy. We added a new micro-insurance product, **PRU**Safe Dengue on *Pulse* to help customers get coverage during a dengue outbreak in Singapore. This is just the start of a much wider range of micro-insurance products that we will put on *Pulse*. They are a great way to reach new customers who are digitally savvy and allow our financial consultants the opportunity to offer their services to a wider number of people.

Products designed to help Singaporeans *Bring on 100* - When developing our product suite, we continue to be guided by the fact that Singaporeans have one of the longest life expectancies in the world, making it critical that they have a good financial and health plan in place so that they can enjoy their golden years.

In 2020, we continued to develop solutions that offer coverage to age 100 to help our customers bridge their protection and retirement gaps. This included **PRU**Cancer 360, an affordable plan that provides coverage up till age 100 against all stages of cancer, as well as **PRU**Active Protect, a critical illness plan that is designed to grow with customers through life by providing flexible options to add on coverage.

We also built on the success of the **PRU**Active Saver plan by enhancing it with new features such as a reduced minimum premium size for a 10-year payment term and above, and made it capital guaranteed upon maturity. The plan allows you to save depending on life stage and savings needs and the ability to do this is appreciated by customers who want to have flexibility in their financial planning.

On the medical front, our claims-based pricing approach continues to encourage the prudent use of healthcare services. 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 2020, 90% of existing PRUShield Plus customers benefitted from a substantial premium reduction, making our public hospital integrated shield plan even more affordable.

We were also able to help older customers, aged 55 years and above, and who may require more healthcare, to enjoy more affordable medical coverage at a lower level of claims-based pricing.

Investing in tools to increase productivity and efficiency – Our consistent investment in technology proved to be providential during the pandemic. Besides quickly turning on our remote sales advisory capability so we could serve customers, we continued to enhance the tools and platforms to enable our financial consultants to work productively. This includes **PRU**Force, our customer relationship management system, which helps financial consultants to engage with customers more efficiently and at the right points in time. Using smart data and analytics, we are able to identify customers' needs and make available to them the product and service options most suitable to them.

For customers, we focused on delivering instant experiences so they continue to enjoy seamless access to our products from the point-of-purchase to servicing. For instance, customers now enjoy instant underwriting on 26 more products so they know at point-of-sale if their application is successful. They can conveniently receive claims payouts via PayNow and update their contact details using MyInfo, a service offered by the Singapore government that enables citizens and residents to manage the use of their personal data for simpler online transactions. And for greater convenience and ease of access they receive notifications on their policies digitally, via SMS, email and the **PRU**access customer portal.

Raising standards of professionalism – As the financial industry transforms, it is important that people are future-ready and digitally-enabled so we can meet the evolving needs of our customers. We have built a culture of continuous learning, and provide a wide variety of learning and development opportunities. With encouragement, the number of learning hours each of our employees undertook doubled to 33 hours from the year before.

In particular, we are introducing courses that help employees pick up new skills needed for the digital economy. For instance, we collaborated with Ngee Ann Polytechnic to roll out the "Machine Learning for Humans" online certification programme. The course aims to equip our people with the skills to better leverage data in their daily work by using artificial intelligence (AI). So far, close to half our employees have completed the programme.

For our financial consultants, the bar is set high and we have rigorous learning and development programmes in place to ensure that they are knowledgeable and well-placed to provide professional advice. Each of them on average underwent 73 hours of continuing professional development training in 2020.

To ensure a common standard across our Agency, we rolled out the Certificate in Financial Needs Analysis and Plan Construction Programme which all our agency leaders and financial consultants will have to complete. 64% of our Agency have already done so in 2020, achieving the Institute of Banking and Finance (IBF) Qualified (Level 1) certification. We aim to have our entire Agency certified by 2021 so that our customers can be assured of a high level of service and consistent standard of advisory from all of our financial consultants.

Being there for our community #SGUnited

It is said that every dark cloud has a silver lining. Indeed, however tough times were, we never gave up. As we kept pushing forward with remarkable tenacity, bright spots emerged. There is increased awareness among Singaporeans to take care of their health and to plan for their future. Digital adoption accelerated as we rapidly moved to remote working and online means to continue to support our customers.

Most amazing of all was the rally of community support for those affected by COVID-19. I was heartened to see Singaporeans of all walks of life band together and show how we're #SGUnited.

Support came in the form of food packs and donations to vulnerable groups and care kits for our frontline workers to ensure their wellbeing. Singaporeans also showed kindness to delivery drivers and those in essential services with many gestures, big and small.

With money being tight for many individuals, the insurance industry as a whole worked together to lessen our customers' financial burdens. Premium payments were deferred, and many insurers added hospitalisation benefits for COVID-19 patients. Prudential's **PRU**Care Package consisted of S$3.5 million in cash benefits and donations. The goal was to assure our customers and their families that we will continue to be their safety net in these tough times.

Undeterred by the pandemic, our employees and financial consultants continued to run community programmes to provide financial literacy lessons to children and to keep seniors engaged with exercise sessions virtually, as well as to bring food and necessities to needy families.

When we put our hearts and minds together, never underestimate the significant collective impact that we can make. The events of this entire period have been a constant reminder that we, as an industry, continue to play an important role in ensuring our customers are well-protected so they can have peace of mind.

Acknowledgements

I would like to extend my deepest appreciation to the Board, my leadership team, agency leaders and financial consultants, bank partners and colleagues who contributed to our steady performance in 2020, and for showing courage in the face of adversity. I would also like to express my deepest thanks to our customers and shareholders for your continued confidence in us.

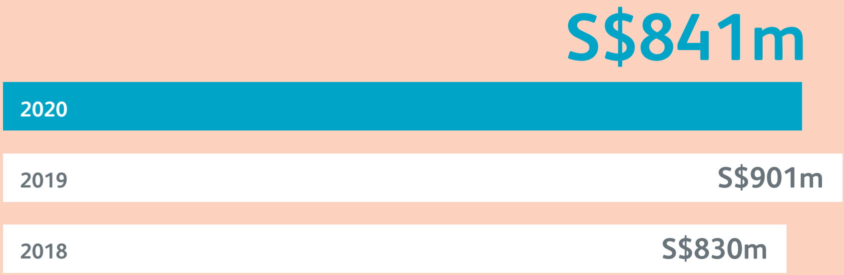
Prudential has a long history in Singapore and we will celebrate with pride our 90th anniversary in 2021. We are grateful to those who have laid the strong foundation that allowed us to rise above the challenges of the pandemic, and we will continue to support our customers, our colleagues and our community in the years ahead to help everyone get the most out of life.

Dennis Tan
Chief Executive Officer

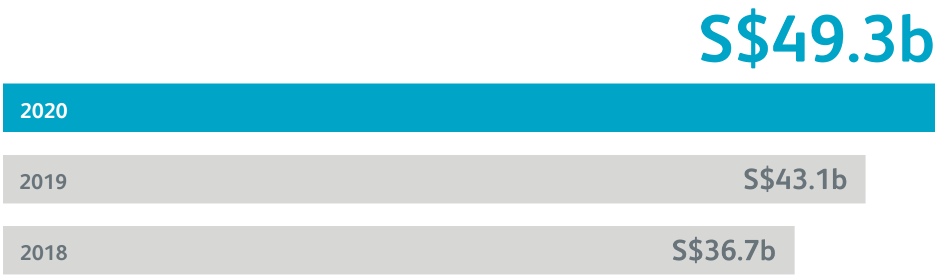
03

Financial Highlights

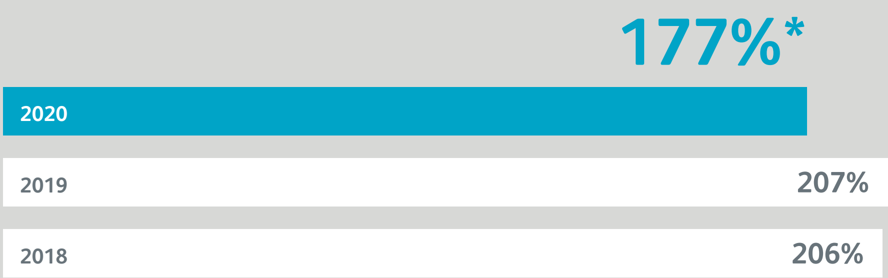
Annual Premium Equivalent



Total Funds Under Management



Capital Adequacy Ratio



Effective from 31 March 2020, capital adequacy ratio is computed based on the Monetary Authority of Singapore Risk Based Capital 2 (RBC2) Framework.

04 Our Business

Purpose and Values

Strategic Framework

4.1 #BringOn100

Prudential is a leading life insurer in Singapore that has been serving the financial and protection needs of its customers for 90 years. We are led by our purpose *to help people get the most out of life* and fulfil this by making healthcare accessible and affordable, protecting customers' wealth and growing their assets, and empowering people to save for their goals, especially in light of increasing longevity.

We want people to look at a longer life with positivity and adopt a *Bring on 100* attitude.

In our *Saving for 100: Funding longevity in a time of uncertainty* report, we learnt that as lifespans increase and lifestyles change, Singaporeans are realising that their savings will have to last longer and go further than in generations past. This is where we want to help to change attitudes and support Singaporeans to be well-prepared for the future, in the areas of both health and wealth.

We're doing this with nearly one million customers who trust us to help them get *Ready for 100* with confidence. We support them through our suite of protection, medical, savings and retirement insurance solutions, along with professional advice by our team of financial consultants and bancassurance partners.

Our consistent investment in technology and digitalisation enable us to bring instant experiences to our customers and to connect with them at their convenience. During the COVID-19 pandemic, we were able to quickly pivot to remote working and engage with our customers virtually. We also launched *Pulse by Prudential,* an all-in-one, personalised app powered by artificial intelligence (AI) to help our customers manage their health needs from the comfort of home.

Prudential is committed to investing in the community that we live in through strategic partnerships and initiatives. This year, as part of COVID-19 relief measures, we gave out S$3.5 million in cash benefits and donations to more than 3,400 individuals and the community.

As we continue to grow and reimagine the future of wellbeing, our commitment to our principles remains steadfast: to put our customers first, act with integrity, embrace growth, invest in our communities and take a long view – because we are here for the long term.

While Singaporeans are a nation of prudent savers, only **5 in 10 (56%)** feel confident about having enough for tomorrow.

That means that nearly half of those surveyed are not confident about having enough savings to support living in their lifetime.

Prudential is committed to helping our customers save for their financial goals and prepare for a longer runway in life.

Source: Saving for 100: Funding longevity in a time of uncertainty report.

Purpose

To help people get the most out of life.

Our purpose is 'why' we exist, and is the driving force for why we do what we do. It is a source of inspiration and direction as we work towards achieving our Strategy, Outcome and Priorities. When everything is aligned, everyone will be able to see what we stand for and who we are as a company.

We fulfil our purpose in three main areas:

1 Health

We want to see people live well, for longer, so we are innovating the future of wellbeing.

2 Wealth

We want to be a force for good, so we are accelerating financial inclusion for people and businesses.

3 People

We are unleashing the collective talent and expertise of our people to reimagine the future of wellbeing.

Values

Our success is enabled by our values, which represent the best of who we are:

Ambitious

Our business is competitive. We push ourselves and each other to greatness, but not at all costs. Being a team player and doing the right thing comes first.

Curious

The world is changing faster than ever. No one has all the answers. We are humble and always listen and seek to learn and understand.

Empathetic

There's an age-old wisdom in walking a mile in another's shoes. We do that every day, whether it is with our customers or colleagues.

Nimble

Being agile and adaptive is trending. We approach our work iteratively, with carefully-designed experiments that help us fail fast and fail forward.

Courageous

Prudential's success and culture belongs to all of us – it's our shared legacy. We do the right thing and bring our full selves to work to build it together.

Strategic Framework

Our strategic framework is a beacon of light that shines the way forward for our business.

Lighthouses are symbols of illumination and navigation for sailors out at sea. In the same way, we want to be a beacon of light and trusted partner for our customers, to help them live well and get the most out of life in both good and challenging times.

There are four simple parts to our Strategic Framework:

One Purpose

To help people get the most out of life.

Two-Pronged Strategy

Reinforce and Reimagine.

Three Broad Outcomes

Groundbreaking Experiences, Innovative in Health and Wealth, Best in Class People.

Four Priorities

Instant Experiences, Enterprise and High Net Worth (HNW), Retirement and Protection, Digital and Data.

To help people get the most out of life.

Reinforce and Reimagine

- **Our strategy answers how we achieve our Purpose.**
- **Reinforce refers to strengthening the foundation and the core of our business that's doing well, while Reimagine takes us over and above to rethink the way we do things and shape the future of insurance.**

Groundbreaking Experiences, Innovative in Health and Wealth, Best in Class People.

This is what we want people to think about when they see Prudential.

Groundbreaking Experiences
Advice-led, tailored solutions that help people live well, delivered with a seamless experience across channels.

Innovative in health and wealth
Solutions that help people prevent, protect, postpone the onset of disease and be financially ready for a longer life. *Pulse* is core to this outcome.

Best in class people
For our People: #1 employer of choice, that takes care of people and communities.
For our Financial Consultants: Modern distribution model, focused on productivity and partnership.

4 priorities – Instant Experiences, Enterprise and High Net Worth (HNW), Retirement and Protection, Digital and Data

Instant Experiences
We want to enhance the customer experience by making it simple and seamless for our customers and distributors, from sales to servicing.

Enterprise and High Net Worth (HNW)
We want to help the underserved small-and-medium enterprise segment as well as HNW segment get *Ready for 100*.

Retirement and Protection
We want to help Singaporeans take charge of their Health and Wealth.

Digital and Data
We want to invest in data and digital capabilities to empower our people, customers and partnerships.

4.2 Groundbreaking Experiences

At Prudential Singapore, we pride ourselves on delivering innovative solutions and groundbreaking experiences. Whether it's developing products that customers need to be *Ready for 100*, or enhancing the way we engage with our stakeholders, our goal is to create a seamless experience across channels and to help people get the most out of their interactions with us.

Groundbreaking Experiences

Helping customers *Bring on 100* with confidence - Products launched in 2020

1

PRUExtra Preferred CoPay Rider

1 APR 20

Covers medical expenses at Singapore private hospitals under our Panel and Non-Panel Providers, at more affordable premiums, with access to PRUPanel Connect, our hospital partnership programme.

2

PRUAffinity Personal Accident Plan

8 APR 20

A complimentary group affinity plan to cover eligible employees of Singapore-based FinTech companies that have signed up to the APIX platform.

3

PRUActive Saver II

12 MAY 20

We made PRUActive Saver more affordable with reduced minimum premium size for a 10-year payment term and above. A first-of-its-kind savings plan that allows customers to save depending on life stage and savings needs, it is also capital guaranteed upon maturity.

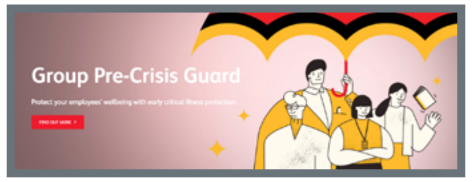
4

PRUCancer 360

12 MAY 20

A simple and affordable cancer insurance plan that provides coverage up till age 100, against all stages of cancer. Customers enjoy a hassle-free and easy application process with one health question.

5



Group Pre-Crisis Guard

1 SEP 20

New Group Enterprise Business product covering early stages of Critical Illness.

6

PRUActive Protect

8 SEP 20

A new Critical Illness proposition with modular concept providing flexibility to customers on their coverage selections. The plan is designed to grow with the customer through life by providing options to add on coverage against early stage, recurring and relapse critical illness conditions and more, as and when their priorities and budgets change.

7

PRUPersonal Accident Lite

8 OCT 20

New group personal accident plan which provides accident and dengue coverage.

8

PRUAssure Rewards (tranche)

8 DEC 20

A single premium endowment plan with a one-year policy term with guaranteed returns at maturity. This is a limited tranche product.

9

PRUSafe Dengue

28 DEC 20

A highly affordable, bite-sized and short-term dengue coverage plan available exclusively on the *Pulse by Prudential* app.

Digitising our customer journey

We are reimagining the way we engage with our customers by introducing new technology to make insurance seamless and convenient for our customers.

PRURemote Advice was one way in which we helped our customers continue to stay connected with us and our financial consultants during the Circuit Breaker period in Singapore. Developed in just seven days, this video conferencing and e-signature tool allows for advisory and policy sales to be done online, without our financial consultants and customers having to physically be present. This continues to be a key channel of customer engagement even today. In fact, 7 out of 10 customer cases across our distribution channels were closed via **PRU**Remote Advice in December 2020 when people were allowed to have more face-to-face interactions, a strong testament to how it's become an integral part of the way we engage customers.

We also launched the **PRU**Adviser website to allow our financial consultants to create their own personalised website to showcase their services and to reach more customers through this digital platform. Customers also receive peace of mind in knowing that the financial consultants listed on the **PRU**Adviser website are trusted representatives of the company, and can also find out more about them before deciding on whom to consult.

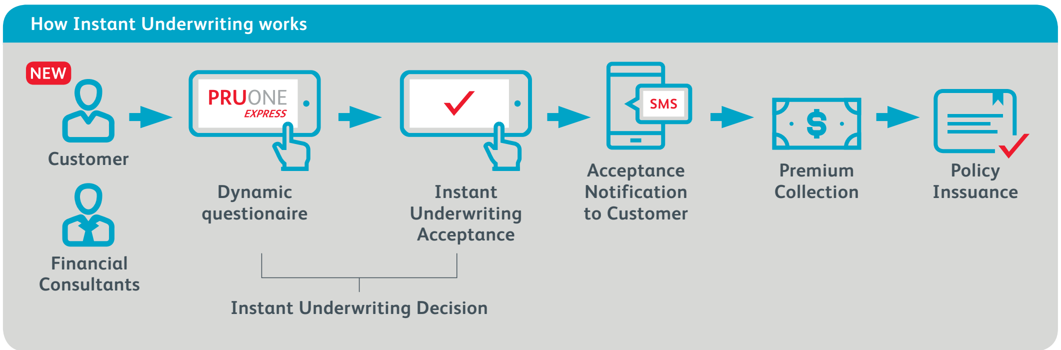
Our customers can now keep up-to-date with timelier communications regarding their policies. The completion of our customer communications digitisation journey means customers can now receive notifications on their policies digitally, via SMS, email and the **PRU**access customer portal. By leveraging technology, customers can enjoy greater convenience and ease of access to their policies.

We also brought our customer events online. "In Conversation" is a series of knowledge-sharing sessions that brings together a community of speakers and thought leaders to share ideas and knowledge to live well. These events were usually done in-person, but were brought completely online post-Circuit Breaker. Topics covered ranged from *Saving for 100*, eating to lower cancer risks, and mindfulness, in line with our purpose *to help people get the most out of life.*

Delivering instant experiences

Instant Underwriting

Customers now enjoy instant underwriting for 26 more products, which enables them to know if their application is successful at the point-of-sale.



Instant Payment

- Launched Integrated Electronic GIRO (with DBS Bank) on our point-of-sale system to collect the first premium, reducing the traditional GIRO application approval lead time from 3-5 weeks down to zero days.
- Implemented PayNow to enable customers to receive claims payouts.

Instant customer authentication

To make it even more convenient for customers, we enhanced PRUaccess, our online portal for policyholders to access their policy details. Customers can now update their contact details seamlessly using MyInfo, a service offered by the Singapore government that enables citizens and residents to manage the use of their personal data for simpler online transactions. This has become even more seamless with the introduction of Mobile SingPass login to access PRUaccess.

- Average logins have increased by nearly 80% compared with 2019.
- Online transactions have increased by 35% compared with 2019.

Instant access to PRUPanel Connect eCard

Customers can get real-time policy information through the PRUPanel Connect (PCC) eCard launched in April 2020, in order to access cashless benefits at our PPC partner hospitals and day surgery centres.

- The 24/7 self-help option for PRUPanel Connect eligibility checks logged close to 3,000 online checks in 2020, eliminating the need to contact customer service touchpoints.

Our focus on customer centricity has also been recognised by the industry, and is motivation for us to continue to put our customers at the heart of what we do.

2 Bronze Awards at the 20th International Contact Centre Award (CCAS)

- **Best In-house Contact Centre**
- **Best Customer Service Professional**

4.3 INNOVATIVE IN HEALTH AND WEALTH

Health & Wellness

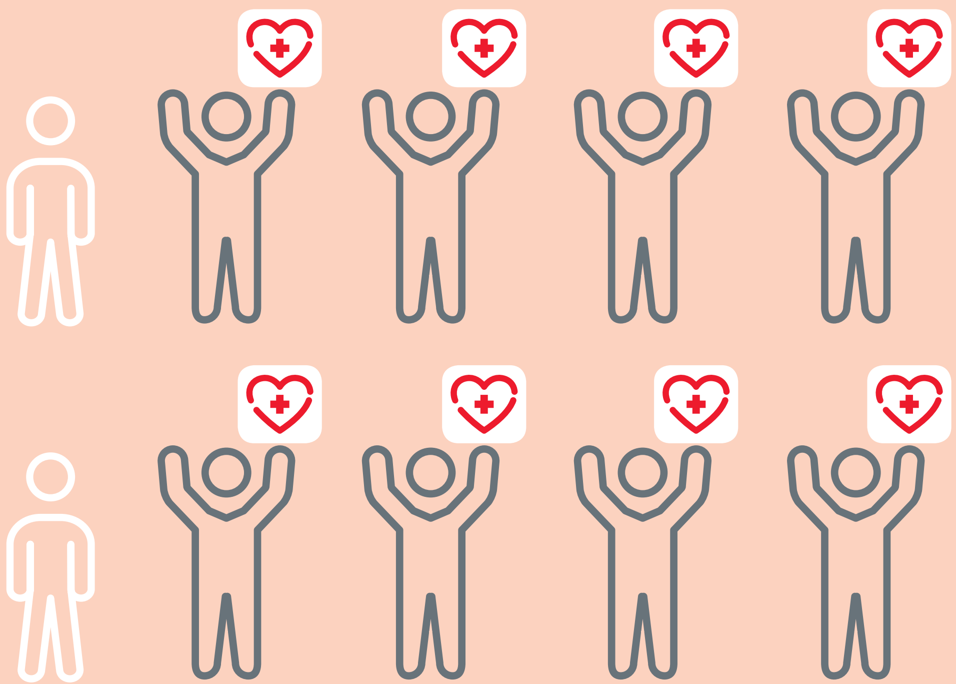
Innovating in the future of wellness

Singaporeans have one of the longest life expectancies in the world. As an insurer, we are committed to helping Singaporeans to live well for longer, in line with our purpose of helping people to get the most out of life.

In 2019, our *Healthy for 100? Heathy care in Singapore* report highlighted the opportunities and challenges for Singapore's healthcare system as we prepare for longevity. Over 200 healthcare practitioners shared their views on how the country is faring and explored the steps we can take to deal with rising rates of chronic disease and higher healthcare costs.

This year, respondents in our *Saving for 100: Funding longevity in a time of uncertainty* study also highlighted rising Healthcare spending as one of the financial challenges Singaporeans face as life expectancy rises. Nearly 80 per cent of respondents listed healthcare as their top saving priority, and more than four in five planned to invest in their health so that they remain financially self-sufficient for their extended years.

In these uncertain times, we remain committed to help people prepare for the challenges ahead by supporting the three stages in their health journey - Prevent, Protect and Postpone - and innovating in the future of wellness.



Nearly 80 per cent of respondents listed healthcare as their top saving priority, and more than four in five planned to invest in their health so that they remain financially self-sufficient for their extended years.

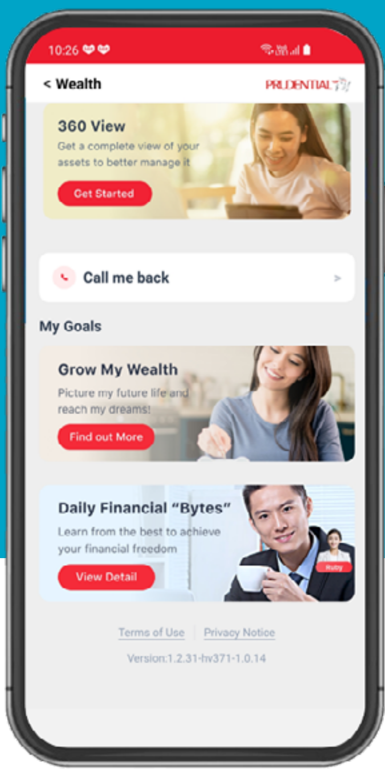
No one knows you like your *Pulse*

In addition to meeting protection needs, Prudential is becoming a partner in disease prevention. Our goal is to actively help individuals and families to be well physically, mentally, and financially. By creating ecosystems of wellbeing that put health and wealth in people's hands, we want to enable them to live well, for longer. These ecosystems harness the power of technology and data, and empower people to personalise their health and wealth journeys.

In April, we launched *Pulse by Prudential*, our health and wellness app, in Singapore. Its three key features – Healthcheck, Symptom Checker and Video Consultation with a Doctor - enabled users to access health information and services, and to stay safe during the peak of the pandemic. More health and wealth features were added to *Pulse* throughout the year, which saw more than 135,000 downloads in 2020.

Through the app, users can also access healthcare services and buy microinsurance plans conveniently. In December, our first plan was made available for purchase on *Pulse* with the launch of **PRU**Safe Dengue, an affordable insurance plan that provides financial relief to those infected with the mosquito-borne dengue virus.

With Singapore's increasing life expectancy, it is important that we look after both our health and finances. At the Singapore FinTech Festival in December, we introduced the Wealth Ecosystem in *Pulse* that helps users take charge of their financial future. Current features include financial education content such as articles on investing basics to help users make informed financial decisions.



Making healthcare simple

In 2020, we continued our efforts to make healthcare more affordable and accessible to our **PRU**Shield (Integrated Shield Plan) customers. With **PRU**Extra Preferred CoPay, our new **PRU**Shield panel rider, customers now have the flexibility to choose from a wider suite of **PRU**Shield products that can better meet their healthcare needs and budget.

Under **PRU**Panel Connect (PPC), our hospital partnership programme, **PRU**Extra Premier, **PRU**Extra Premier CoPay and **PRU**Extra Preferred CoPay customers can enjoy a convenient and cashless experience upon admission at PPC private hospitals - with enhanced Letter of Guarantee (eLOG), pre-authorisation, easy appointment booking and on-site concierge services.

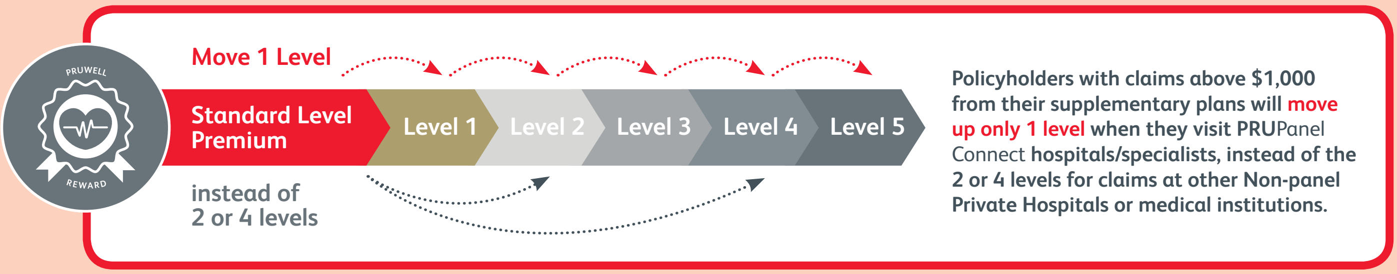
*Eligible **PRU**Shield policyholders can present the PPC eCard to benefit from panel in-patient and day surgery charges when booking appointments with the participating private specialists clinics. Customers can check their eligibility and view the full list of participating hospitals and specialists on Prudential's website (http://www.prudential.com.sg/ppc) and book a specialist appointment with a few simple clicks.*

This year also marks the first anniversary of PPC, which seeks to offer customers greater convenience when they visit our hospital partners and specialists for medical treatments. As we continue enhancing PPC to give customers seamless access to quality healthcare, Prudential welcomed new healthcare partners including day surgery centres in 2020 and organised health webinars with our PPC partners to educate our customers about health topics.

We organised *The Straits Times' Keeping Singapore Healthy* webinar in November, where the speakers shared insights on how Singaporeans can live longer and healthier lives.

From left: Health Promotion Board's CEO Zee Yoong Kang, Ministry of Health's Chief Scientist, Professor Tan Chorh Chuan and our CEO Dennis Tan participated in The Straits Times roundtable discussion moderated by Senior Health Correspondent Salma Khalik.

Sustainable healthcare with claims-based pricing



Customers can save on renewal premiums with lower levels of Claims-Based Pricing (CBP) when seeking treatment through **PRU**Panel Connect. With more favourable CBP levels, customers with claims above $1,000 will now move up only 1 level instead of 2 or 4 levels for Non-panel Providers.

To support our senior customers, from April 2020, customers aged 55 years and above who require more healthcare will enjoy more affordable and sustainable medical coverage at a lower premium multiplier.

Prudential is the first insurer to introduce CBP in 2017 to help keep healthcare costs sustainable in the long run by motivating customers to stay healthy and to be more prudent with the use of healthcare services. With CBP, customers who consume less healthcare services pay less 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.

More than 90% of existing customers with **PRU**Shield Plus plans enjoyed a 10% to 31% premium reduction* in 2020, making this public hospital Integrated Shield Plan more affordable.

*Excludes MediShield Life premiums

4.4

INNOVATIVE IN HEALTH AND WEALTH

Wealth

Innovative in Wealth

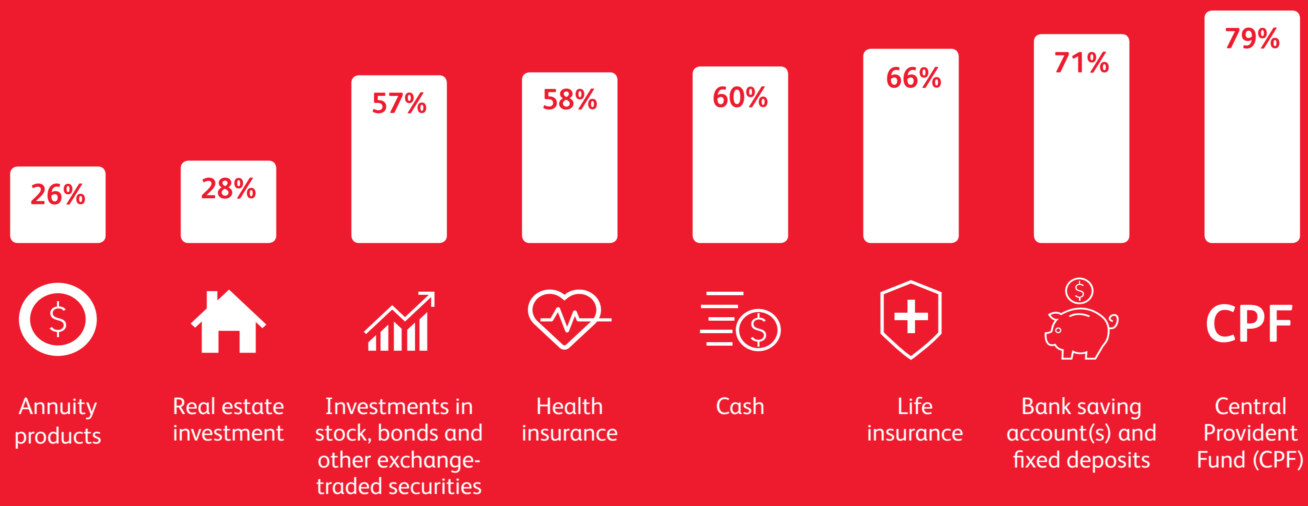
In 2020, our *Saving for 100: Funding longevity in a time of uncertainty* report showed that faced with rising lifespans, Singaporeans are thinking hard about ageing well, and doing it with security and dignity.

They are re-evaluating their lifestyles and saving habits so they can be well prepared for the future. They are diversifying their savings, using financial tools such as insurance and equities to grow and to protect their wealth. In addition, more than four in five (87%) millennials plan to invest in their health and skillsets so that they remain financially self-sufficient for their extended years.

Prudential is committed to helping our customers be well-prepared financially for the future.

Diversifying to Save for Retirement

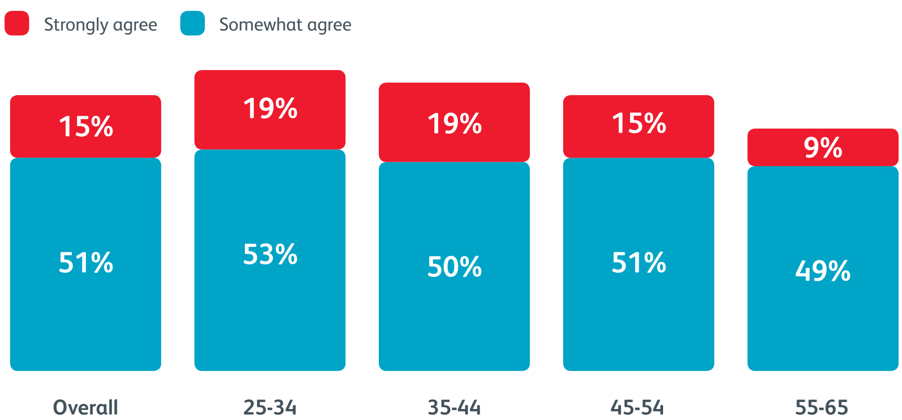
There is recognition among Singaporeans of the need to diversify income sources well before reaching the retirement age. The financial methods and instruments respondents are currently using or plan to use to save for their old age (% of respondents).



Recognising the need to invest

The majority of Singaporeans surveyed say they will need to invest more of their savings to ensure funding a longer life.

Share of respondents agreeing that they will need to invest more of their savings to ensure they can financially support living a longer life.



Source: Saving for 100: Funding longevity in a time of uncertainty report

Affluent and High Net Worth

Wealthier for 100

For many of our customers, preparing for the future is not just about ensuring financial security in their lifetimes, but leaving a legacy for future generations. Prudential understands this and in 2020 we focused on innovating the experience for our Affluent and High Net Worth (HNW) customers by offering content and solutions tailored to their needs through our Ascend and Opus platforms.

ASCEND

Ascend by Prudential

Launched in 2019, the Ascend by Prudential programme aims to elevate privileges and customer experiences for our affluent customers to greater heights. Privileges include welcome, birthday and lifestyle rewards, tiered up discounts on promotions, plus health and wellness insights through our e-newsletters. The programme clinched a Bronze for the Best Loyalty Programme - Financial & Insurance at Marketing Interactive's Loyalty and Engagement Awards 2020.

OPUS™
BY PRUDENTIAL

Opus by Prudential

With the number of millionaires in Singapore projected to reach 240,000[1] by 2023, we recognised a growing need to better service the unfulfilled wealth protection and transfer needs of this growing pool of HNW customers. Opus by Prudential was created in 2018 with this aim in mind. With its promise of more personalised service and curated experiences, Opus clients enjoy access to a panel of experts including lawyers, trust and tax consultants. They also have special access to exclusive lifestyle and networking events and personalised gifts and rewards.

With the onset of COVID-19, we leveraged remote selling services to continue serving our customers, while growing awareness around the Opus brand with a campaign to educate HNW customers on the role of insurance in legacy planning. In an exclusive partnership with legendary Scottish distillery Auchentoshan, potential HNW customers were invited to a series of virtual whisky tasting events, complete with bespoke home tasting kits and an exclusive vintage release Auchentoshan 30-year Single Cask whiskey.

We also worked to engage our existing customer base, through campaigns to encourage referrals and upgrade eligible customers to Ascend and Opus. These initiatives saw over 1,000 customers successfully upgraded to ensure that they continue to receive the right level of financial advice.

In line with increasing interest in the HNW segment among our financial consultants, we grew the number of trained Opus Private Wealth Consultants by 16% to more than 100, and introduced new initiatives to support them better including the launch of a digital sales kit, monthly knowledge sharing and enhanced support from our specialised Wealth Planners. A number of successful training programmes were also introduced to equip them with skills like how to add value to their HNW clients during the pandemic.

[1]Reference: https://www.credit-suisse.com/media/assets/corporate/docs/about-us/research/publications/global-wealth-report-2018-en.pdf

Opus Legacy Series

The Opus Legacy Series brought our HNW proposition to life through the art of whisky making, in partnership with legendary Scottish distillery Auchentoshan. The technique of whisky making is both an art and a science. It takes time to distil a great whisky, just like it takes time to craft a legacy.

Between August and November 2020, a series of webinars were organised and attended by HNW individuals. With virtual whisky bar experiences, customers received a bespoke tasting kit comprising 3 types of Auchentoshan whisky, including the Opus vintage limited release 30-year single cask whisky.

We held a series of webinars with a focus on the impact of COVID-19 on businesses. We invited business owners and industry experts to share their experiences on protecting their legacies during these difficult times.

Enterprise Business

The Future of the Workplace

Longevity is transforming the future of the workplace. With people living longer and in better health, the need to continue working and earning to support a fulfilling retirement continues to grow, along with the desire by older workers to remain meaningfully engaged and contributing to society.

Our fast-growing Enterprise Business (EB) segment is well positioned to leverage these trends, and we aim to partner Corporates and Small and Medium Sized Enterprises (SMEs) in Singapore to make health, wealth and wellness an integral part of their workplace.

We continued to make significant progress in growing our customer base and in achieving greater penetration of the underserved SME segment, while acquiring new employee lives and optimising cross-selling opportunities.

2020 Results

Total EB APE grew **+27%** to $71 million.

Total In-Force Book Size grew **+18%** to 2,300 Enterprises.

Number of Employee Lives Covered **+43%** to 170,000.

Empowered to Sell

Our strong performance in 2020 was due in large part to the active participation and close partnership with our 5,000 strong Agency team. Adapting to the pandemic and Circuit Breaker restrictions on physical events, we were able to press ahead with e-learning and assessments, training modules and workshops to help more agency leaders and financial consultants acquire the skills to effectively market Enterprise solutions. Thanks to these training initiatives, one fifth of our agency leaders and financial consultants are now active in selling to enterprise customers.

4,000 financial consultants Completed Basic & Advanced EB Training Modules.

1,000 financial consultants attended a series of workshops to boost skills and competency.

Digital Engagement

With the pandemic affecting our ability to hold physical workplace events, we took our engagement activities online through our digital WorkPLAYce events. These include an "In Conversation" series of webinars focused on health and wellness, e-newsletters and even the launch of an interactive game, **PRU**Dash, that helps corporate employees discover more about their own attitudes to the workplace. A variety of digital webinars were launched to engage employees on both their physical and mental well-being.

These efforts contributed to a 50% increase in cross-selling opportunities as we introduced our life insurance products to employees of our Enterprise customers.

*Snapshot of **PRU**Dash.*

"In Conversation" series of webinars focused on health and wellness.

Making a Difference

We demonstrated our commitment to customers by giving out close to S$3.5 million in cash benefits and donations as part of the **PRU**Care Package. These measures were well received and included financial relief for employees of our corporate and SME customers, as well as a premium deferment scheme for SMEs facing cash-flow difficulties, to help them ride out the crisis.

Our efforts achieved external recognition, with a Silver Award in the category of Best Employee Insurance Provider at the HR Vendors of the Year 2020 Awards. This is the very first year that Prudential is competing in this category, and the win is testimony to just how far we have come in a relatively short span of time.

4.5 BEST IN CLASS PEOPLE

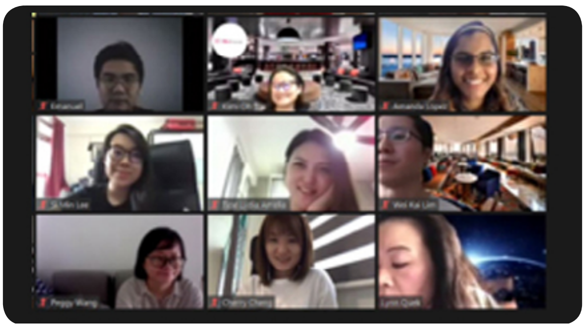
Agency

Focus on Professional Growth for Our Agency

We continued to invest in the professional development of our financial consultants in 2020. We quickly adapted in-person training seminars and workshops into virtual sessions to allow financial consultants to continue with training and development during the Circuit Breaker. We also made sure that financial consultants receive training in online sales and social media marketing to help them reach out to customers digitally.

To ensure a common standard across our Agency, we rolled out the Certificate in Financial Needs Analysis and Plan Construction Programme (Cert FPC Programme) in June 2020. This customised programme was delivered by seven of our own agency leaders who had to go through Singapore College of Insurance's (SCI) rigorous trainer accreditation process.

64% of our Agency have already completed the programme, achieving the Institute of Bank and Finance (IBF) Qualified (Level 1) certification. We aim to have our entire Agency certified by 2021 so that our customers can be assured of a high level of service and consistent standard of financial advisory from all of our financial consultants.



Cert FPC programme goes virtual.

5,085 agency leaders & financial consultants clocked **369,107** training hours achieving an average **72.6** hours of Continuing Professional Development (CPD) training per financial consultant.

153 instructor-led programmes and **535** sessions organised for Agency.

64% (3,249) of Agency completed Cert FPC Programme and were certified **IBF Qualified (Level 1).**

439 financial consultants awarded the PRU Service Mark, a regional initiative to recognise financial consultants who have met the strictest criteria requirements of customer service excellence.

Improving Productivity

PRUForce, our customer relationship management system, helps financial consultants to engage with customers more efficiently and at the right points in time. Using smart data and analytics, the system is able to identify customers' needs and make available to them the most suitable product options. Our financial consultants are then able to use this information to engage customers in a more targeted and efficient manner.

In June 2020, we launched a simplified English version of our Financial Analysis tool, **PRU**Planner. Featuring simpler language, reader-friendly layout and efficient design, this makes the financial advisory process easier to understand for customers as our financial consultants take them through it.

Our MDRT Journey

We also encourage and support our financial consultants to aim to be Million Dollar Round Table (MDRT) Members. In 2020, we focused on developing our financial consultants through training and professional development. This has helped us to achieve amazing growth in the number of MDRT qualifiers.

One of our Court of Table (COT) winners Carol Kheng, who will be taking on the position of MDRT Secretary in the MDRT Executive Committee in September 2021 and on track to be appointed President of the MDRT Executive Committee in September 2024.

15 Top of the Table and 80 Court of the Table Qualifiers.

470 First Time Qualifiers.

148% increase in qualifiers from 2019.

1,010 MDRT Qualifiers in 2020, which means that 1 in every 5 Prudential financial consultants has achieved the internationally recognised MDRT standard of excellence.

4.6 BEST IN CLASS PEOPLE

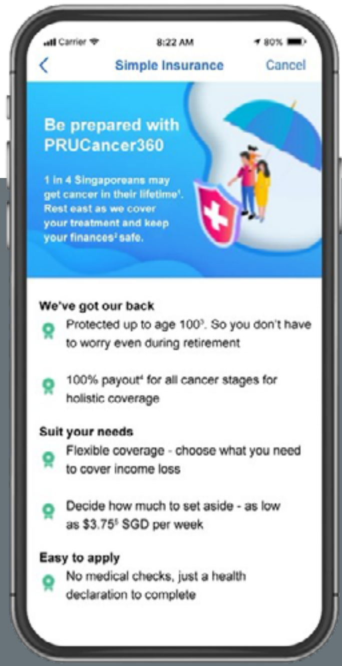
Bank Partnerships

Strengthening our Bank Partnerships

We maintained a strong relationship with our exclusive bancassurance partners United Overseas Bank Group (UOB) and Standard Chartered Bank (SCB) in 2020.

The **UOB Lady's Savings Account**, a first-in-market financial solution for women in Singapore which combines a savings account with complimentary medical insurance for six female-related cancers, was launched in March 2020.

We also introduced the first life insurance product, **PRU**Cancer 360, on the UOB Mighty App, enabling UOB Mighty users to secure bite-sized cancer coverage conveniently.



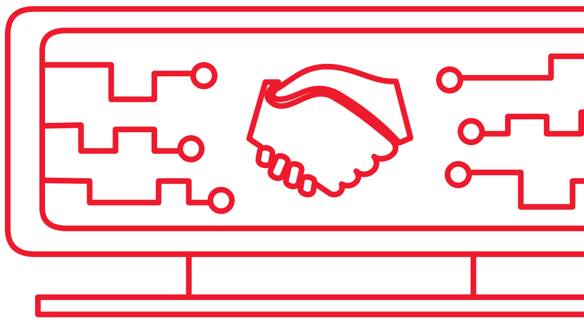
PRUCancer360 on UOB Mighty App.

With a plan to drive awareness on the digital front in 2020, our partnership with SCB saw five new product additions (**PRU**Pac, **PRU**Cancer 360, **PRU**Active Saver II, **PRU**Lady and **PRU**Man) on the SCB website providing easy access to our customers. We partnered with SCB to bring our HNW proposition, Opus, to more SCB customers with marketing collaterals placed in the SCB Priority Banking Centre. A Christmas Cooking Masterclass with Chef Violet Oon was held in December for customers as part of the Opus Legacy series of events.

Caption: Christmas Cooking Masterclass for SCB customers as part of Opus Legacy series.

Digital Partnerships

Digital partnerships are a key way for us to reach out to a wider set of customers who may be keen to understand more about our insurance products, and to connect them with our financial consultants. We continued to explore such partnerships as we build our product distribution capabilities.



4.7 BEST IN CLASS PEOPLE

Employees

Getting Ready for the Future of Work

Our people are our greatest asset and Prudential is committed to creating a conducive work environment where they can thrive and in turn, drive our business success. We believe that by supporting our employees to achieve their professional and personal goals, we can help them get the most out of life.

As the nature of work and life evolves, especially in the new post-pandemic normal, we understand that our employees need greater support and flexibility. To meet their needs, our way of working is centred on driving innovation, collaboration as well as personal development and wellbeing.

A Culture of Continuous Learning

As the financial services industry transforms, it is important for our workforce to develop into one that is agile and digitally enabled. To help our people adapt and be future-ready, Prudential aims to build a culture of continuous learning, and provide a wide variety of learning and development opportunities.

More than 41,000 enterprise learning hours in 2020, double compared with 2019.

An average of 33 learning hours per employee.

WebWorks
A Learning Community

In 2020, we also started a virtual learning community, WebWorks, with our internal subject matter experts sharing their domain knowledge.

12 WebWorks sessions held on various topics, including healthcare insurance, customer centricity and personal effectiveness.

780 employees reached.

We also launched our first reverse mentoring scheme, where members of our leadership team are mentored by a junior colleague - an initiative which further facilitated engagement and the exchange of knowledge across the company.

Reskilling and Upskilling

Prudential is the first company in Singapore to collaborate with Ngee Ann Polytechnic to roll out the "Machine Learning for Humans" and "AI in Finance" online certification programmes to all our employees. The course aims to equip our people with the skills to better leverage data in their daily work by using artificial intelligence (AI)..

More than 400 employees completed the new "Machine Learning for Humans" programme and the "AI in Finance" programme which started in 2019.

25 graduates put their newfound skills to use to develop solutions for real business cases in our first Data Hackathon in October.

Angeline Alexander, from our Customer division, Nigel Chan, from our Distribution division, and Marilyn Chin, from our Risk and Compliance division took up the online Machine Learning course together.

In 2020, we also partnered with organisations like the Institute of Banking & Finance (IBF) and Workforce Singapore to help our workforce acquire new skills, as part of the national reskilling agenda. One of the initiatives was the Technology in Finance Immersion Programme (TFIP) to help individuals gain experience in key technology areas within the financial services sector. Five employees benefited from this three-month long structured training programme which covered areas such as Data Analytics, Coding and Cybersecurity.

Our Internal Mobility programme also gives our people the opportunity to develop different skills and progress through the organisation by taking on new roles. In 2020, 63 employees embarked on this journey and were provided reskilling, on-the-job training and coaching to ensure a smooth career transition.

Wellness at Work

Prudential aims to create an environment where our people can focus on their wellness and take the time to nourish their bodies and relationships.

Under our Wellness Leave scheme, our people can take time off for five consecutive working days to focus on their personal well-being – an initiative that was taken up by 99% of our workforce this year. Due to the pandemic, many employees found it challenging to use up their annual leave. To support them during this challenging period, we also introduced the Annual Leave Encashment Scheme which was utilised by 94% of our employees.

As we transitioned to working from home in the new normal, our activities to promote physical, mental and social well-being took on new life. Our people stayed active together through online yoga and Zumba classes, practised mindfulness with meditative Pilates and bonded with each other over creative art workshops. In December, we also organised *PLAYday*, a virtual event where employees formed teams to play games and win prizes.

>128 virtual engagement sessions to promote physical, mental and social well-being.

We continued to communicate with our people and shared organisational updates through messages and townhall sessions by our Chief Executive Officer and leadership team. We also actively listened to employees through our first global employee survey in 2020 and annual ethical culture survey – platforms where they can share concerns on a range of topics, including diversity, learning, purpose, values and business integrity.

Our company has zero tolerance for fraudulent, unethical or illegal behaviour, as outlined in our Code of Ethics. Through mandatory online training which covers topics such as fair dealing, risk and compliance and our Ethical Decision-Making Framework, we guide our people to make the right decision while navigating work and social obligations.

Recognition as an Employer of Choice

In 2020, we received numerous awards that recognised our efforts to create a great place to work for our people, including:

HR Excellence in Learning and Development (Gold) (2020)

HR Excellence in Talent Acquisition (Silver) (2020)

British Chamber of Commerce Annual Business Awards: Employer of the Year (2020)

4.8 Community

We play an active role in the wider community

When the community thrives, so do we.

Our people are passionate about many causes, and Prudential supports this by allocating five days of volunteer leave per annum. Our employees and financial consultants have partnered various community organisations in 2020 to help people get the most out of life through social inclusion, financial and digital literacy and COVID-19 relief efforts.

> 6,800 volunteering and training hours

spent to enrich the lives of over 9, 000 beneficiaries.

Further, our **social secondment programme** gives our employees the opportunity to fulfil a social purpose through the contribution of their skills and time. Under this programme, employees are seconded to a social service organisation for six months while remaining on Prudential's payroll.

Meet our PRU Volunteer, Kapila Khindriya

"It was extremely purposeful and fulfilling going into the centre each day as I see myself making a difference in the lives of the children, youths and parents."

Under Prudential's Social Secondment programme, Kapila Khindriya was seconded to social service organisation CampusImpact from February to July 2020. During her time there, she helped prepare a value-based curriculum for children in the Study Buddy programme. She served as a facilitator and mentor to youths, beneficiaries, and engaged parents and other volunteers. She said, "I learnt a lot in my time with CampusImpact and am glad that I could contribute my skills and knowledge for a good purpose."

Supporting Singapore's COVID-19 relief efforts with a S$3.5M PRUCare Package

We set up a PRUcare package to benefit various groups during the challenging period brought about by COVID-19. We gave out close to S$3.5 million in cash benefits and donations to more than 3,400 individuals and the community. This is more than double the S$1.5 million committed when we first launched the PRUCare Package at the onset of the pandemic.

S$101, 317 to the Invictus Fund

(with contributions from our employees and financial consultants) — an initiative set up by the National Council of Social Service to support social service agencies providing critical services to the vulnerable groups during the COVID-19 pandemic.

S$100,000 to the Courage Fund

— an effort by the National Council of Social Service to support vulnerable individuals and groups such as patients, healthcare workers and members of the community affected by the COVID-19 pandemic.

S$30, 000 to Design4impact

— an open innovation platform run by Ministry of Health Office for Healthcare Transformation and National Council of Social Services empowering ground up initiatives to tackle the issues of social isolation and healthcare access in a protracted COVID-19 world.

200 taxi and private hire drivers received care kits with hand sanitisers, surgical masks, anti-bacterial wet wipes and vitamin C supplements.

S$20,000 to Masks for All Singapore

— a community-driven advocacy movement to empower all in Singapore to make, share and wear face masks.

1,000 care kits with healthier food items and hand sanitisers were distributed to seniors from the AMKFSC Community Services Ltd

150 new tablet devices provided to young student beneficiaries from the Early Childhood Development Agency and AMKFSC Community Services Ltd to aid in the nation's transition to home-based learning.

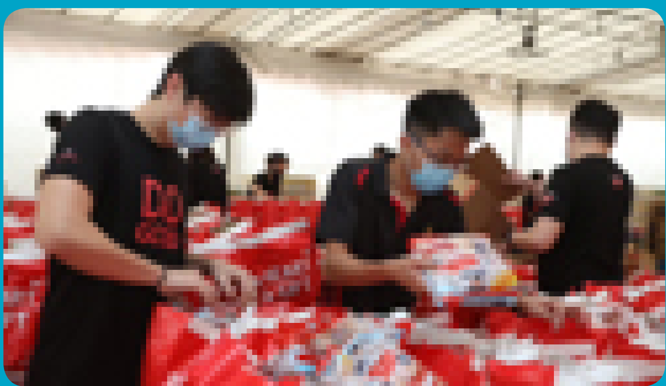
Deferred Premium Payment and Premium Instalment plans

The insurance industry also came together to provide relief measures such as Deferred Premium Payment and Premium Instalment plans. These gave our individual and small and medium-sized enterprise customers more time to pay their premiums and to stay protected amidst the pandemic.

Social Inclusion

Healthy with KidSTART

- Partnered with the Early Childhood Development Agency to promote healthy lifestyle habits.
- 800 underprivileged families received healthy food and hygiene products.
- 120 of these families with more food security needs received an additional monthly supply of fresh produce from October to December.
- Families were connected to *Pulse* Communities, a new digital community platform by Prudential where they can obtain information on health and nutrition as well as support and inspire each other in their wellness journey.



Boys' Brigade Share-a-Gift

- Our 12th year as the presenting sponsor of the Boys' Brigade Share-a-Gift project.
- Delivered hampers filled with nutritious food and hygiene products to 650 KidSTART families and 2,000 senior beneficiaries from government-funded ComCare programmes.

Virtual Senior Engagement

- Regular physical exercise sessions and online games to improve the mental, social and emotional wellbeing of the elderly residing in nursing homes.
- More than 300 hours engaging with our community partners including AMKFSC Community Services Ltd, GoodLife! Marine Parade and Thong Teck Home for Senior Citizens.

Financial and digital literacy

We empower the next generation through "Cha-Ching" — an award-winning financial literacy programme developed by the Prudence Foundation (our community investment arm) in partnership with Cartoon Network Asia and NGO, JA Asia Pacific.

2,319 children aged 7-12

learnt key money management concepts and skills through entertaining animated videos, discussion and hands-on activities.

As we move towards increased digitalisation in our lives, we also endeavour to improve digital literacy among the communities that need it most. To that end, we supported the Infocomm Media Development Authority (IMDA) with their Digital Learning Circles programme. Our Prudential volunteers spent a total of 224 hours teaching seniors how to use mobile applications such as the contact tracing feature in TraceTogether, to set up an email account and to use video conferencing tools online. These skills will help seniors stay better connected to their families and the community.

Community Investment Awards

Lakeside Family Services, Community Partnership Award 2020

National Volunteer and Philanthropy Centre, Champion of Good 2020

COMMUNITY CHEST AWARDS CHARITY BRONZE

COMMUNITY CHEST AWARDS COMMUNITY SPIRIT GOLD

Community Chest Charity Bronze, and Community Spirit Gold Awards 2020

Innovation in our Community

Challenging times are when innovation matters most, as we work together to help our community thrive.

PRUFintegrate

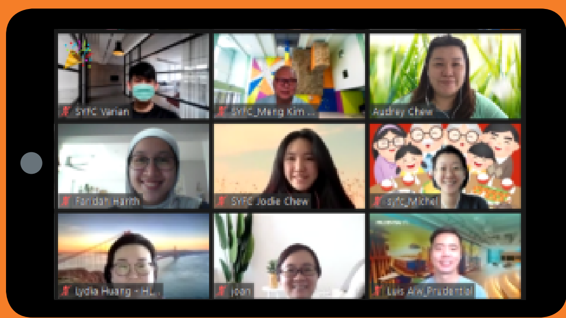
We saw 99 submissions from all around the world for PRUFintegrate, our flagship innovation programme for FinTech, InsurTech, HealthTech and MedTech scale-ups. Judges evaluated 25 finalists across two categories – Category A (idea only) and Category B (idea and solution) with the pitching done completely online.

Winners of PRUFintegrate Category A (Idea only) having lunch with Prudential Singapore's CEO, Dennis Tan.

SME Skills Accelerator Programme

We also launched the SME Skills Accelerator Programme in partnership with SkillsFuture Singapore to support Small and Medium-sized Enterprises (SMEs) in three key areas – accelerated workplace learning, design innovation and digitalisation.

We have worked with more than 40 local enterprises, with many of them already beginning their upskilling and business transformation journey. We are also bringing together SMEs and our partners in government, technology and design to co-create solutions.



Members of the SME Skills Accelerator Programme participating in our first Design Innovation 101 Workshop.

PolyFinTech 100 API Hackathon

We participated in the PolyFinTech 100 API Hackathon in the InsurTech Application category where we received submissions from all five of our local polytechnics. As the only insurer that participated in the PolyFinTech 100 API Hackathon in 2020, we hope to reach out to youths to help them gain a better understanding of the insurance industry, InsurTech, as well as open up more co-creation opportunities.

Winner of PYT 2020 Tertiary Category – Winston Ng from Finute.

Prudential Young Trailblazers

The Prudential Young Trailblazers (PYT) Competition is our platform for reaching out to secondary and tertiary students to encourage them to be innovative and entrepreneurial in creating solutions that benefit our community. The competition in 2020 saw 260 participants across 69 teams come together to learn and innovate together.

One of the winners of the 2020 Tertiary category, Winston Ng, has since incorporated his own company, Finute, and is working closely with a team of Design Doers (Prudential employees who have participated in the Design Innovation Bootcamp offered by Singapore University of Technology and Design) to successfully build a proof of concept of their gamified financial literacy game – Vanda Bay.

4.9 Building a Sustainable and Responsible Business

Our Sustainability Report 2020 is prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option.

Read our full report here.

Managing our Sustainability Efforts

Our ESG Strategy

Our ESG strategy is fully aligned to our business strategy and purpose of helping people get the most out of life. Our strategy consists of three strategic pillars and each has focus areas, the 'differentiators,' where we can make a meaningful impact. This is supported by three strategic enablers: good governance and responsible business practices, responsible investment and community engagement and investment.

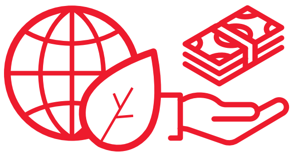
3 ESG Strategic Pillars

Making Health and Financial Security Accessible

We seek to create long-term value for our customers and commit to closing the health, protection and savings gap. Making people healthier and wealthier is core to our purpose of helping people get the most out of life. To do this, we focus on **digital health innovation** which provides people with affordability of products, greater access to healthcare services and healthier outcomes.

We also emphasise diverse and **inclusive offerings** to ensure our products and services meet the needs of underserved segments. For example, we introduced the Spark Kindness Movement to provide underprivileged families with financial support. Under this initiative, for every PRUActive Protect or PRUCancer 360 policy sold, we provided a complimentary two-year Accidental Death Insurance Coverage of S$10,000 to a parent of a low-income family supported by our community partner, AMKFSC Community Services Ltd.

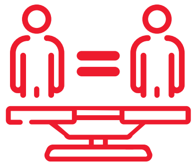
We believe that **digitally-enabled financial literacy** has the power to educate, change mindsets, and encourage long-lasting behaviours that will affect an individual's financial choices. To help our customers gain more financial knowledge, we make information on managing finances available to them on our *Pulse* app. We also offer financial literacy lessons to young children through our Cha Ching programme.



Stewarding the Human Impacts of Climate Change

We are proactive in enabling the transition to a low carbon economy because climate change presents serious global challenges with significant potential economic consequences and impacts on people's health and livelihoods. We do this by **decarbonising our investment portfolio** and **supporting an inclusive transition**. As we support the move to a lower carbon economy, we strive to ensure that the transition is an inclusive one for all of society – one that supports sustainable growth and economic health where we operate.

As part of our Responsible Investment approach, we incorporate ESG factors into our investment decisions, alongside traditional financial analysis, to generate sustainable returns for our customers. We will invest S$200 million of our total assets under management in ESG funds and have plans to launch an ESG Investment-Linked Fund in 2021. We have incorporated an ESG screening approach into our due diligence for new and annual reviews and will be developing an ESG measurement methodology in 2021.



Building Social Capital

We are committed to both building our human capital, and the social capital we have with our stakeholders. This means empowering our people and unlocking their potential. We do this by striving for **diversity** in representation and thought, and fostering a culture of **inclusion** and a sense of **belonging** within our organisation. In doing so, we have committed to achieving a 50% to 55% female participation rate in senior levels and to closing the gender pay gap for senior managers and above to less than 5% by 2021.

As Singapore accelerates its digitalisation journey, we are committed to ensure that our customers can access our services in a safe and secure manner. Guided by **digital responsibility** practices, we provide robust security protection for both our *Pulse* app and customer data.

ESG Governance Approach

Our ESG Committee (ESGC) governs ESG matters and ensures its effective integration into our business operations. It assists the Board in providing direction and oversight of our ESG strategy. Chaired by the Head of Ethics, committee members include representatives from various business units. It reports to the Ethics Committee which reports to the Board of Directors.

Prudential Singapore's ESG governance structure

05 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 also a Director with Pulse Ecosystem Pte. Ltd.

Lilian is leading the regional customer, channel and marketing strategy development and deployment of business solutions across the network of insurance businesses, driving business performance and competitive advantage in the digital world to deliver the customer ambitions and growth agenda. She is also accountable for the governance of PCA, including Legal and Government Relations.

She has been part of the Prudential family for over 20 years with extensive experience in the insurance sector. She has held a range of leadership roles in Prudential in both local businesses and at regional level, including PCA Chief Operating Officer, Insurance for 6 years. Lillian is a Fellow of the Institute of Actuaries of Australia.

Dennis Tan
Chief Executive Officer and Executive Director

Dennis Tan was appointed the Chief Executive Officer of Prudential Singapore on 9 March 2020. He is also a Council Member at IBF Singapore.

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, 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.

He 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.

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 (NUS) and the Singapore Management University (SMU).

Prof. Koh is a Professor Emeritus of Finance (Practice) at Lee Kong Chian School of Business, SMU since 2021. She is a renowned conference speaker, panel moderator and commentator. In addition to being a Member of the World Economic Forum Global Future Council on New Agenda for Work, Wages and Job Creation, Prof. Koh also chairs the Asian Bond Fund 2 supervisory committee of the Monetary Authority of Singapore (MAS) since 2016.

Since June 2019, Prof. Koh is an Independent Director, and Chairman, Audit and Risk Committee of KBS US Prime Property Management Pte. Ltd. She is also an Independent Director of AMTD International Inc since May 2020 and a member of the Audit Committee of AMTD International Inc since December 2020. In addition, Prof. Koh is a Non-Executive Director of PBA International Pte. Ltd. since July 2020 and an Independent Director of Yoma Strategic Holdings Ltd since November 2020. She also serves as Member of Customs Advisory Council and HR Transformation Advisory Panel and Singapore Chinese Chambers of Commerce & Industry since 2019. Prof. Koh chairs the TAFEP Awards Committee since 2017 and advises a number of startup firms.

Her achievements include MAS Scholar for NUS BSc in Economics (Hons) and a PHD. degree in International Finance with Fulbright scholarship from Stern School of Business, New York University in 1988. Her research interests are in Family Office and Family Business, Investor Behaviour, Alternative Investments and Enterprise Risk Management. She co-authored Financial Management: Theory and Practice, An Asia Edition (2014), and Financing Internationalisation – Growth Strategies for Successful Companies (2004) and is the author of a number of Asian family business cases and survey reports. In recognition of her contribution to education and the public sector, she was awarded the bronze and silver Singapore Public Administration medal in 2010 and 2016 respectively, and the Adult Education Prism Award in 2017.

Simon Christopher John Machell
Non-Executive Director

Simon Christopher John Machell was appointed as a Non-Executive Director of Prudential Singapore in March 2020. At Prudential Singapore, he is a member of the Audit Committee and the Board Risk Committee.

Simon has over 30 years of CEO experience in both the life and general insurance sectors in Europe and Asia and has a wealth of experience and expertise in the areas of management, operations, finance, risk and strategy.

Simon qualified as a Chartered Accountant with Ernst and Young in London in 1988 and held auditing and finance roles at Legal & General before joining Norwich Union (later renamed Aviva) in 1994. Simon spent almost 20 years with Aviva where he started as a finance executive in the general insurance business before taking on claims and operations roles. He became the Managing Director of RAC when Aviva bought that business and subsequently became the CEO of the UK general insurance business. From 2002 to 2007, Simon was also the Chairman of the Motor Insurers Bureau.

In 2007, Simon moved to Singapore to become the CEO of Aviva's business in Asia. The markets in eastern Europe were added to the portfolio in 2012. He was responsible for all aspects of the business and was accountable for relationships with regulators and joint venture partners. Simon was also a Non-Executive Director of Aviva's asset management business in Asia.

In 2013, Simon became a Non-Executive Director of Tesco Bank in the UK and a member of the Audit and Nomination Committees. He became the Chairman of Tesco Underwriting which is Tesco Bank's insurance underwriting vehicle in 2016. Simon is also the chair of the Tesco Underwriting Remuneration Committee. He continues to hold both roles today.

In 2015, Simon became a Non-Executive Director of Pacific Life Re and a member of the Risk Committee. In 2018, he became the Chairman of Pacific Life's Australian entity and sat on the risk, audit and remuneration committees. Simon joined the Prudential Corporation Asia Board in 2016 and became Chairman of the Risk Committee. He continued in this role until the board was disbanded in 2020. Simon was elected to the Board of Suncorp in Australia in 2017 and is the chairman of the People and Remuneration Committee and a member of the Audit and Nomination Committees.

Simon has a Bachelor of Art degree in Economics from University of Durham and is a Fellow Member of the Institute of Chartered Accountants in England and Wales (ICAEW). He is also a Guest Professor of the Southwest University of Finance and Economics in Chengdu, China.

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 a member of 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 2016, he has been the Chairman of the Board of Directors of Industrial and Services Cooperative Society Ltd, a cooperative for ex-offenders, and a member of the Rehabilitation Committee of the Singapore Corporation of Rehabilitative Enterprises. He has previously served on the boards of Home Nursing Foundation and YR Industries Pte Ltd. 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, as well as a member of its Non-Profit Organisations Sub-Committee. 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.

Wan Mei Kit
Non-Executive Director

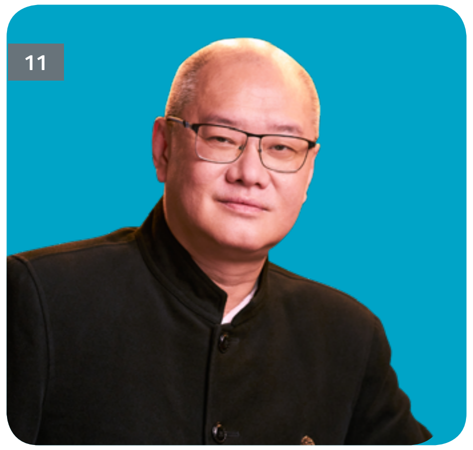
Wan Mei Kit was appointed as a Non-Executive Director of Prudential Singapore in January 2018. She is the Chairman of the Audit Committee and a member of the Board Risk Committee of Prudential Singapore.

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 since May 2016, the Audit Committee of the Singapore Institute of Directors since January 2017 and the Advisory Committee on Oversight of the United Nations Entity for Gender Equality and the Empowerment of Women in New York since February 2019. She also serves as a Director of Meritus (1996) Investments Pte Ltd, Tee Boon Leong Investments Pte Ltd since June 2018 and Philanthropic Ventures Pte. Ltd since March 2020.

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.

06 Leadership Team



01 **Dennis Tan**
Chief Executive Officer and Executive Director

02 **Tony Benitez**
Chief Operations Officer

03 **Jackie Chew**
Chief Risk Officer

04 **Goh Theng Kiat**
Chief Customer Officer

05 **Sheela Parakkal**
Chief Human Resources Officer

06 **Andreas Rosenthal**
Chief Financial Officer

07 **Ben Tan**
Chief Distribution Officer

08 **John Chow**
Chief Partnership Distribution Officer

09 **David Chua**
Chief Investment Officer

10 **Liauw Lee Jiat**
Chief Actuary

11 **John Soong**
Chief Agency Officer

12 **Dr Ian Warford**
Chief Information Technology Officer

Dennis Tan
Chief Executive Officer and Executive Director

Dennis Tan was appointed the Chief Executive Officer of Prudential Singapore on 9 March 2020. He is also a Council Member at IBF Singapore.

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, 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.

He 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.

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.

Jackie Chew
Chief Risk Officer

Jackie Chew 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 with 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 PricewaterhouseCoopers (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.

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.

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 has served as CFO at AIA Philam Life and AIA Korea. He was also the regional CFO of Allianz till 2011.

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.

Ben Tan
Chief Distribution Officer

Ben Tan 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.

Ben has more than 25 years of experience in the insurance industry, with roles spanning sales and marketing as well as channels development and management.

Prior to joining Prudential Singapore on 21 December 2020, Ben spent 13 years with Great Eastern Life (GE Life) where he was Head of Customer Acquisition, then Chief Distribution Officer and subsequently Managing Director. He was responsible for the development and implementation of the strategic plan and business initiatives for GE Life's distribution channels in Singapore. He also provided governance oversight and regional support to the distribution teams in Malaysia, Indonesia and Brunei.

Earlier in his career, Ben spent 12 years with AIA where he held multiple leadership roles in the General and Life insurance businesses, including being the Regional Director of Agencies.

Ben is Singaporean and holds a Bachelor of Science in Business from Indiana University.

John Chow
Chief Partnership Distribution Officer

John Chow is Chief Partnership Distribution Officer at Prudential Singapore. In this role, he oversees our bancassurance partnerships with UOB and SCB.

John has more than 15 years of bancassurance experience in both the banking and insurance industry.

Prior to joining Prudential Singapore on 6 January 2021, John spent five years with Manulife, where he held various roles in regional partnerships, including leading performance management for the insurer's regional DBS partnership. In his most recent role, John was based out of Kuala Lumpur as Chief Partnership Officer of Manulife Insurance Berhad (MIB) and Manulife Labuan International Limited (MILL). He was responsible for MIB's exclusive bancassurance partnership with Alliance Bank Berhad and MILL's omni-channel distribution strategy, including the exclusive bancassurance partnership with Standard Chartered Bank (Malaysia).

John was also with OCBC Bank for four years. In his last role as Head of Bancassurance, he developed and executed the strategies to grow the bancassurance business of OCBC and Great Eastern Life in Singapore.

John is Singaporean and holds a Master of Engineering in Aeronautical Engineering from Imperial College London.

David Chua
Chief Investment Officer

David Chua is the Chief Investment Officer (CIO) of Prudential Singapore. In his role, he is accountable for the overall investment management strategies and performance delivery of the company's assets.

David is responsible for establishing the institutional framework and effective investment process to drive delivery of a sustainable value proposition. He develops Strategic Asset Allocation, Asset Liability Management and other investment strategies to set in place the investment process and capital allocation. In addition, he ensures that investment risks are identified and managed, and that the fiduciary oversight and duty of the company are fulfilled.

With close to 20 years of experience in the financial services and insurance industry, David has a strong track record in overseeing global multi-asset investments. David joined Prudential Singapore in September 2017 and was the Head of Investment Strategy prior to his appointment as CIO in 2020. David began his career with Goldman Sachs in its Singapore, New York and London offices, before joining Nomura. He also spent seven years with ERGO Insurance (Munich Re's direct insurance arm) where he was the Head of Investments.

David is Singaporean and holds a Bachelor of Business Administration with Honours from the National University of Singapore. A Chartered Financial Analyst since 2006, he is an active mentor in the CFA Mentoring Programme.

Liauw Lee Jiat
Chief Actuary

Liauw Lee Jiat is the Chief Actuary of Prudential Singapore and was appointed the Appointed Actuary on 22 February 2021. 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 to increase productivity. During her appointment as Head, Business Finance, she oversaw Finance Business Partnerships, Finance Performance Management, Distribution Compensation & Analytics and Finance Sales Reporting.

Lee Jiat has more than 15 years of experience in the Finance and Actuarial field, and 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 Life.

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

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.

Dr Ian Warford
Chief Information Technology Officer

Dr Ian Warford was appointed Chief Information Technology Officer for Prudential Singapore in July 2020. In this role, he leads us in our efforts to build our digital capabilities and to remain at the forefront of our industry.

Ian also holds a dual appointment as Regional Director, Wealth Ecosystem, Prudential Services Singapore, a role which he has held since August 2019.

With over 28 years of IT experience within the financial services industry, Ian has served as CEO of software company, Navarik. He was Director, Global Head of Client and Channel Solutions Group (Sales) and Director, Global Head of Core Transaction Products (Product Management) at Deutsche Bank. At Microsoft, he held the role of Director, Global Head of Securities & Capital Markets.

A British national, Ian has lived in Vancouver, Canada, New York, London, Stockholm, Manila and now Singapore. He holds a PhD in Electrical Engineering from Aston University and a Bachelor of Engineering (Electrical Engineering) from Swansea University.

07 Corporate Governance

BOARD'S CONDUCT OF AFFAIRS

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

Board Committees
Prudential Singapore is an indirect wholly-owned subsidiary of Prudential plc. 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 meets 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 2020.

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 Tan Thean Oon Dennis, and four non-executive directors, namely, Ms Wan Mei Kit, Prof. Annie Koh, Mr Teo Teow Hock and Mr Simon Christopher John Machell. There are four independent directors,

BOARD/COMMITTEE MEETINGS AND ATTENDANCE	BOARD MEETINGS (INCLUDE 1 SPECIAL MEETING)	BOARD RISK COMMITTEE MEETINGS	AUDIT COMMITTEE MEETINGS	NOMINATION AND REMUNERATION COMMITTEE MEETINGS
Number of meetings held in 2020	5	4	4	2
Chairman				
Lilian Lup-Yin Ng	5	3	4	2
Chief Executive Officer				
Wilfred John Blackburn (Note 1)	0	0	0	-
Tan Thean Onn Dennis (Note 2)	5	4	4	1
Non-Executive Director				
Annie Koh	5	4	4	2
Teo Teow Hock	5	4	4	2
Wan Mei Kit	5	4	4	-
Simon Christopher John Machell (Note 3 and 4)	4	2	2	-

Note 1: Stepped down as CEO, Director and Board Risk Committee member with effect from 8 March 2020
Note 2: Appointed as CEO, Director and Board Risk Committee member with effect from 9 March 2020
Note 3: Appointed as Director with effect from 20 March 2020
Note 4: Appointed as Audit Committee member and Board Risk Committee member with effect from 18 August 2020

namely Ms Wan Mei Kit, Prof. Annie Koh, Mr Teo Teow Hock and Mr Simon Christopher John Machell. 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 fulfillment 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.

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 2020 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 above on Board Membership of this section.

Director, CLT, Appointed Actuary and Relevant Senior Management Staff Remuneration

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

The remuneration policy for the members of the CLT, 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 as well as the Nomination and Remuneration Committee, and endorsed by the Board.

While the Regional Head Office takes into account the Implementation Standards [Please refer to the Financial Stability Board Principles for Sound Compensation Practices:

Implementation Standards] 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.

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 is performed by the business in accordance to 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 Tan Thean Oon Dennis, Prof. Annie Koh, Ms Wan Mei Kit and Mr Simon Christopher John Machell. 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 Core Leadership Team (CLT) and senior management representation as standing invitees to ensure that there is an adequate risk management system to identify, measure, monitor, control and report risks.

The principal responsibilities of the Risk Committee are to:

- Review Prudential Singapore's Enterprise Risk Management framework, as well as the risk appetite and risk policies, including the parameters used as well as 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, 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 2020, 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: the limits are set to support the monitoring and management of risks as Prudential Singapore has no appetite for material losses suffered as a result of failing to develop, implement and monitor appropriate controls to manage operational 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.

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 recognises the importance of good risk 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 behaviour 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 was carried out twice in 2020 to identify areas of strength and improvement, and to 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 Group-wide Internal Audit (GwIA) Asia, with recommendations provided to the Audit Committee (AC). In turn, the AC provides oversight over processes developed to address these recommendations in a timely manner.

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 stressed scenarios.
	Credit risk	The risk of loss for the business or of adverse change in the financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors in the form of default or other significant credit event (e.g. downgrade or spread widening).
Non-financial risks	Operational risk	The risk of loss arising from inadequate or failed internal processes, or from personnel and systems, or from external events.
	Business environment risk	Exposure to forces in the external environment that could significantly change the fundamentals that drive Prudential Singapore's overall strategy.
	Strategic risk	Ineffective, inefficient or inadequate senior management processes for the development and implementation of business strategy in relation to the business environment and Prudential Singapore's capabilities.

The 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, Mr Teo Teow Hock and Mr Simon Christopher John Machell 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 Group AC, 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 2020 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.

The Group AC has instituted an independent confidential whistle-blowing programme that includes helpline, web and mobile reporting options, available in multiple languages across all of Prudential's 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 within the Singapore business 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 Head Office in London. In turn, the Chief Internal Auditor (GwIA Asia and Africa) 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 Audit Committee (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 Chief Internal Auditor (GwIA Asia and Africa) is made by the Group AC. On a semi-annual basis, GwIA Asia will prepare and present audit plans to the Group AC, 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 tele-conversations 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.

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Financial Statements

DIRECTORS' STATEMENT

YEAR ENDED 31 DECEMBER 2020

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 2020.

In our opinion:

(a) the financial statements set out on pages 60 to 125 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 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
Wan Mei Kit
Annie Koh
Teo Teow Hock
Tan Thean Oon Dennis (appointed on 9 March 2020)
Simon Christopher John Machell (appointed on 20 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.

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.

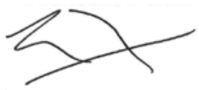
As at the end of the financial year, there were no unissued shares of the Company under option.

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

11 March 2021

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FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

YEAR ENDED 31 DECEMBER 2020

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 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 60 to 125.

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 2020 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.

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
11 March 2021

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Assets			
Property and equipment	6	61,728	69,488
Intangible assets	7	281,483	286,142
Right-of-use assets	8	72,272	97,944
Investments and loans			
– Equity securities	9	4,862,037	6,326,253
– Debt securities	9	14,691,505	11,451,916
– Collective investment schemes	9	28,438,977	24,429,527
– Derivative financial instruments	9	301,802	154,763
– Loans and receivables	9	660,771	708,206
Reinsurers' share of insurance contract liabilities	10	441,142	1,061,281
Insurance and other receivables	11	370,424	249,777
Cash and cash equivalents	12	1,284,074	718,492
Total assets		51,466,215	45,553,789
Liabilities			
Gross insurance contract liabilities	13	44,532,189	38,715,556
Insurance and other payables	14	3,535,218	3,440,295
Derivative financial instruments	15	66,297	46,957
Provision for tax		97,590	112,211
Deferred tax liabilities	16	1,852,787	1,710,186
Lease liabilities	17	71,648	96,033
Total liabilities		50,155,729	44,121,238
Net assets		1,310,486	1,432,551
Equity			
Share capital	18	526,557	526,557
Reserves	19	21,081	20,453
Accumulated surplus	20	762,848	885,541
Total equity		1,310,486	1,432,551

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Insurance premiums	22	6,945,206	6,181,386
Reinsurance premiums	22	552,952	(217,529)
Net insurance premiums	22	7,498,158	5,963,857
Fees and commission income	23	182,203	178,269
Investment (expense)/income	24	3,514,723	4,840,424
Other operating income		27,758	10,589
Net income before claims, benefits and expenses		11,222,842	10,993,139
Gross claims, maturity and surrender benefits		(3,257,058)	(3,363,994)
Increase in gross insurance contracts (including investment contracts with discretionary participating features) liabilities during the year		(5,802,206)	(5,817,940)
Reinsurers' share of contract liabilities, claims and benefits incurred		(500,793)	246,345
Net claims and benefits incurred	25	(9,560,057)	(8,935,589)
Commission and distribution costs	26	(719,020)	(714,402)
Staff costs	27	(175,324)	(169,875)
Depreciation of property and equipment	6	(22,302)	(19,254)
Depreciation of right-of-use assets	8	(26,936)	(27,010)
Interest expense	8	(2,322)	(3,029)
Other operating expenses	28	(298,322)	(258,014)
Claims, benefits and expenses		(10,804,283)	(10,127,173)
Profit before tax		418,559	865,966
Taxation expense	29	(241,252)	(429,091)
Profit for the year	30	177,307	436,875
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Gain on revaluation of leasehold property (net of tax)	6	628	1,795
Total other comprehensive income		628	1,795
Total comprehensive income for the year		177,935	438,670

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2020

	Note	Share capital $'000	Revaluation reserve $'000	Accumulated surplus $'000	Total $'000
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)
Total transactions with owner		–	–	(286,200)	(286,200)
At 31 December 2019		526,557	20,453	885,541	1,432,551
At 1 January 2020		526,557	20,453	885,541	1,432,551
Total comprehensive income for the year					
Profit for the year		–	–	177,307	177,307
Other comprehensive income					
Gain on revaluation of leasehold property	6	–	628	–	628
Total comprehensive income for the year		–	628	177,307	177,935
Transactions with owner, recorded directly in equity					
Dividends to equity holder	20	–	–	(300,000)	(300,000)
Total transactions with owner		–	–	(300,000)	(300,000)
At 31 December 2020		526,557	21,081	762,848	1,310,486

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

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit for the year		177,307	436,875
Adjustments for:			
Amortisation of club membership		–	434
Amortisation of intangible assets	7	6,351	13,996
Depreciation of property and equipment	6	22,302	19,254
Depreciation of right-of-use assets	8	26,936	27,010
Equity settled share-based compensation expense	31	1,378	50
Interest, rental and other investment income	24	(918,080)	(794,202)
(Gain)/Loss on disposal of property and equipment		(86)	200
Interest expense on lease liabilities	8	2,322	3,029
Write-off of right-of-use assets and lease liabilities		1,438	18
Net realised gains and fair value changes on financial assets at fair value through profit or loss	24	(2,598,787)	(4,050,015)
Tax expense	29	241,252	429,091
		(3,037,667)	(3,914,260)
Changes in operating assets and liabilities:			
Loans and receivables and insurance and other receivables		(111,572)	(6,216)
Reinsurers' share of insurance contract liabilities	10	620,139	(134,219)
Gross insurance contract liabilities	13	5,816,633	5,859,177
Investment contract liabilities	13	–	(9,572)
Insurance and other payables		(278,110)	167,291
Cash generated from operations		3,009,423	1,962,201
Income taxes paid		(113,272)	(74,706)
Net cash from operating activities		2,896,151	1,887,495
Cash flows from investing activities			
Dividends received		598,227	480,974
Interest received		355,661	282,806
Proceeds from sale of investments		38,973,662	35,473,391
Proceeds from disposal of property and equipment		646	353
Net purchase of intangible assets	7	(1,692)	(4,333)
Purchase of investments		(42,287,485)	(37,792,787)
Purchase of property and equipment	6	(14,474)	(11,890)
Addition of right-of-use assets	8	(2,065)	(295)
Rental received	24	1,262	1,006
Net cash used in investing activities		(2,376,258)	(1,570,775)
Cash flow from financing activities			
Dividends paid	20	(300,000)	(286,200)
Payment of lease liabilities	8	(25,022)	(25,738)
Interest paid on lease liabilities	8	(2,322)	(3,029)
Net cash used in financing activities		(327,344)	(314,967)
Net increase in cash and cash equivalents		192,549	1,753
Cash and cash equivalents at beginning of the year		585,949	584,196
Cash and cash equivalents at end of the year		778,498	585,949
Cash and cash equivalents comprise:			
Cash at bank and in hand, including short-term time deposits	12	778,498	585,949
Cash collateral received	12	505,576	132,543
		1,284,074	718,492

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 11 March 2021.

1 DOMICILE AND ACTIVITIES

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

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

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

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of measurement

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

(c) Functional and presentation currency

These financial statements are presented in Singapore Dollars, which is the Company's functional currency. All financial information presented in Singapore Dollars 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 FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Business combination

Acquisitions from entities under common control

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

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

(ii) Collective investment schemes

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

In accordance with FRS 27 *Separate Financial Statements* and Section 201 (3BA) of the Companies Act, the Company need not prepare consolidated financial statements as it is a wholly-owned subsidiary of Prudential Public Limited Company, which prepares consolidated financial statements. The financial statements of Prudential Public Limited Company are available at its registered office, 1 Angel Court, London, EC2R 7AG, United Kingdom.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Insurance contracts – classification

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

Insurance contracts are those contracts under which the Company accepts significant insurance risk from the policyholder or other beneficiary if a specified uncertain future event adversely affects the policyholder or other beneficiary. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Insurance contracts – classification (continued)

(ii) Life insurance non-par contracts

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

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

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

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

(iii) Investment-linked contracts

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

(c) Insurance contracts – recognition and measurement

(i) Premiums and commission

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

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

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

(ii) Claims and benefits incurred

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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, and any other requirements prescribed by the regulator and guidance notes issued by the Singapore Actuarial Society (SAS GN L01 and SAS GN L02).

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

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

For policies within the life participating fund, the insurance contract liabilities and investment contracts with DPF are calculated as the higher of the following:

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

(b) the minimum condition liability of the life participating fund as defined under 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 133 on Valuation and Capital Framework for Insurers (“MAS Notice 133”).

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 liability cash flows under the policy at the current crediting rate and discounting at the best estimate investment return.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(iii) Insurance contract liabilities (continued)

Insurance contract liabilities – Investment-linked contracts

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

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

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

(iv) Insurance receivables and payables

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

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

(d) Insurance contracts – embedded derivatives

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Insurance contracts – reinsurance

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

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

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

(f) Insurance contracts – liability adequacy test

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

(g) Investment contracts with DPF

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

(h) Foreign currency transactions

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property and equipment

(i) Recognition and measurement

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

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

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

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

(ii) Depreciation

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

Leasehold property	1 to 2%
Office equipment	20%
Computer equipment	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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (continued)

(ii) Acquired value in-force business

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

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

(iii) Others

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

Distribution agreements	Sales generated over the duration of the agreements
Agency development expenses	Straight-line basis

(k) Financial instruments

(i) Non-derivative financial assets

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(i) Non-derivative financial assets (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Financial instruments (continued)

(ii) Non-derivative financial liabilities (continued)

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

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

Other financial liabilities comprise other payables.

(iii) Derivative financial instruments

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

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

(iv) Share capital

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

(l) Impairment

(i) Impairment of non-derivative financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(i) Impairment of non-derivative financial assets (continued)

Loans and receivables

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

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

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

(ii) Impairment of non-financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Impairment (continued)

(ii) Impairment of non-financial assets (continued)

An impairment loss in respect of goodwill is not reversed.

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

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

(m) Leases

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.

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 right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property which are carried at fair value.

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 interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Company uses the lessee's incremental borrowing rate as the discount 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Leases (continued)

As a lessee (continued)

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

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 an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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 presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

(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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Tax (continued)

Deferred tax is not recognised for:

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

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

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

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

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

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Company recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Company believes that certain positions may not be fully sustained upon review by tax authorities, despite the Company's belief that its tax return positions are supportable. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities, such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Other revenue and expenditure recognition (continued)

(iii) Interest income

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

(iv) Rental income from operating leases

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

(v) 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 2020 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 2020 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Applicable to 2020 financial statements (continued)

Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts (Amendments to FRS 104)* (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 2020 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.

On 2 October 2020, the Accounting Standards Council Singapore reiterated its policy intent for continuing alignment with the effective date of FRS 117 Insurance Contracts, which has been deferred to 1 January 2023.

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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(ii) Applicable to 2021 financial statements (continued)

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- *Classification of Liabilities as Current or Non-current (Amendments to FRS 1-1)*
- *COVID-19-Related Rent Concessions (Amendment to FRS 116)*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 10 and FRS 28)*
- *Reference to the Conceptual Framework (Amendments to FRS 3)*
- *Property, Plant and Equipment – Proceeds before Intended Use (Amendments to FRS 116)*
- *Onerous Contracts – Costs of Fulfilling a Contract (Amendments to FRS 37)*
- *Annual Improvements to FRSs 2018 – 2020*

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.

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

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 COVID-19, Acquired Immune Deficiency Syndrome, Severe Acute Respiratory Syndrome and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Company has significant exposure to mortality risk. Also, continuing improvements in medical care and social conditions could result in improvements in longevity with the Company being exposed to longevity risk.

Morbidity

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

Persistency

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

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

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 MAS Notice 133 on Valuation and Capital Framework for Insurers including its amendments and exemptions as granted by MAS, and SAS GNL02.

SGD denominated liabilities	2020 %	2019 %
1 year	0.28	1.61
2 years	0.31	1.51
3 years	0.39	1.53
4 years	0.43	1.55
5 years	0.47	1.57
6 years	0.61	1.60
7 years	0.70	1.64
8 years	0.78	1.68
9 years	0.83	1.72
10 years	0.89	1.76
11 years	0.94	1.78
12 years	1.00	1.81
13 years	1.05	1.83
14 years	1.09	1.86
15 years	1.12	1.88
16 years	1.14	2.12
17 years	1.16	2.37
18 years	1.17	2.61
19 years	1.20	2.86
20 years and above	1.23	3.10

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	2020 %	2019 %
1 year	0.11	1.56
2 years	0.12	1.56
3 years	0.17	1.61
4 years	0.29	1.65
5 years	0.36	1.69
6 years	0.53	1.76
7 years	0.65	1.83
8 years	0.77	1.86
9 years	0.86	1.90
10 years	0.94	1.93
11 years	1.02	1.97
12 years	1.10	2.01
13 years	1.18	2.05
14 years	1.25	2.08
15 years	1.31	2.12
16 years	1.36	2.16
17 years	1.40	2.20
18 years	1.43	2.24
19 years	1.47	2.28
20 years	1.49	2.32
21 years	1.51	2.33
22 years	1.53	2.34
23 years	1.55	2.36
24 years	1.57	2.37
25 years	1.59	2.38
26 years	1.61	2.39
27 years	1.63	2.41
28 years	1.66	2.42
29 years	1.69	2.43
30 years and above	1.72	2.45

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 0.49% to 4.60% (2019: 1.72% to 5.22%).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

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 1.75% (2019: 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 2020 $'000	Change in liability 2019 $'000
Worsening of mortality and morbidity	+10%	–	–
Lowering of investment returns	-1%	6,139,848	2,224,532
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 2020 $'000	Change in profit/equity 2020 $'000	Change in liability 2019 $'000	Change in profit/equity 2019 $'000
Worsening of mortality and morbidity	+10%	125,485	(104,152)	86,625	(71,898)
Lowering of investment returns	-1%	696,855	(578,390)	376,279	(312,312)
Worsening of base renewal expense level	+10%	7,062	(5,862)	4,297	(3,566)
Worsening of renewal expense inflation rate	+2%	4,274	(3,547)	4,006	(3,325)
Worsening of lapse rate	-10%	85,746	(71,169)	43,909	(36,444)

Investment-linked contracts (non-unit reserves)

Variable	Change in variable	Change in liability 2020 $'000	Change in profit/equity 2020 $'000	Change in liability 2019 $'000	Change in profit/equity 2019 $'000
Worsening of mortality and morbidity	+10%	7,378	(6,124)	1,901	(1,578)
Lowering of investment returns	-1%	15,847	(13,153)	1,495	(1,241)
Worsening of base renewal expense level	+10%	4,622	(3,836)	2,670	(2,217)
Worsening of renewal expense inflation rate	+2%	7,153	(5,937)	3,393	(2,816)
Worsening of lapse rate	-10%	5,332	(4,425)	1,499	(1,244)

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 MAS Notice 133.

(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 2020

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 minimum capital requirement (MCR) and prescribed capital requirement (PCR). Based on the Insurance (Valuation and Capital) Regulations, the capital adequacy ratio (CAR) of the Company as at the reporting date is 177% (2019: 207%).

Under the Insurance (Valuation and Capital) Regulations, all insurers are required to maintain a minimum fund solvency ratio (FSR) and capital adequacy ratio (CAR) above the higher solvency intervention level (prescribed capital requirement, PCR) and lower solvency intervention level (minimum capital requirement, MCR) as specified in MAS Notice 133, in order to meet policyholders' obligations. 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, asset risk requirement comprising mainly asset specific and asset/liability duration mismatch charge and operational risk requirement.

The values, assumptions and methodology used for the measurement of the solvency position are in accordance with MAS Notice 133. 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 and assets that exceed the concentration limit as prescribed in MAS Notice 133.

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.

MAS Notice 133 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 2020, the minimum condition liability, which includes only guaranteed benefits, is $20.4 billion (2019: $15.0 billion) and is significantly below the policy assets of $30.7 billion (2019: $26.4 billion). The corresponding policy liability, which would include future bonuses at a level which meets policyholders' reasonable expectations, is $29.9 billion (2019: $23.6 billion). The policy assets in excess of the policy liabilities, amounting to $0.8 billion (2019: $2.8 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 2020

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)

(ii) 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.

MAS Notice 133 prescribes capital requirements to be held in respect of 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.

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
2020				
Assets				
Equity securities	–	–	4,862,037	4,862,037
Debt securities	13,589,518	1,101,987	–	14,691,505
Collective investment schemes	–	–	28,438,977	28,438,977
Derivative financial instruments	–	–	301,802	301,802
Loans and receivables	537,975	–	122,796	660,771
Reinsurers' share of insurance contract liabilities	–	–	441,142	441,142
Insurance and other receivables	–	–	370,424	370,424
Cash and cash equivalents	1,284,074	–	–	1,284,074
	15,411,567	1,101,987	34,537,178	51,050,732
Liabilities				
Gross insurance contract liabilities (including investment contracts with DPF)	(11,625,673)	(3,543,394)	(29,363,122)	(44,532,189)
Insurance and other payables	(2,627,734)	–	(907,484)	(3,535,218)
Derivative financial instruments	–	–	(66,297)	(66,297)
	(14,253,407)	(3,543,394)	(30,336,903)	(48,133,704)
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)

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.

MAS Notice 133 prescribes the capital requirement to be held in respect of foreign currency mismatch risk 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
2020						
Assets						
Property and equipment	61,728	–	–	–	–	61,728
Intangible assets	281,483	–	–	–	–	281,483
Right-of-use assets	72,272	–	–	–	–	72,272
Investments and loans						
– Equity securities	1,601,621	669,706	–	799,084	1,791,626	4,862,037
– Debt securities	10,806,942	3,741,484	40,114	50,023	52,942	14,691,505
– Collective investment schemes	10,033,405	14,206,228	3,488,968	64,562	645,814	28,438,977
– Derivative financial instruments	8,101,089	(7,745,777)	61,880	(49,855)	(65,535)	301,802
– Loans and receivables	612,839	42,245	434	352	4,901	660,771
Reinsurers' share of insurance contract liabilities	442,854	(1,712)	–	–	–	441,142
Insurance and other receivables	345,879	19,051	14	2,516	2,964	370,424
Cash and cash equivalents	556,441	596,875	115,807	6,622	8,329	1,284,074
	32,916,553	11,528,100	3,707,217	873,304	2,441,041	51,466,215
Liabilities						
Gross insurance contract liabilities (including investment contracts with DPF)	(41,524,700)	(3,007,489)	–	–	–	(44,532,189)
Insurance and other payables	(2,848,850)	(678,857)	(293)	(5,043)	(2,175)	(3,535,218)
Derivative financial instruments	1,991,259	(74,604)	(1,261,378)	–	(721,574)	(66,297)
Provision for tax	(97,590)	–	–	–	–	(97,590)
Deferred tax liabilities	(1,852,787)	–	–	–	–	(1,852,787)
Lease liabilities	(71,648)	–	–	–	–	(71,648)
	(44,404,316)	(3,760,950)	(1,261,671)	(5,043)	(723,749)	(50,155,729)

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
2019						
Assets						
Property and equipment	69,488	–	–	–	–	69,488
Intangible assets	286,142	–	–	–	–	286,142
Right-of-use assets	97,944	–	–	–	–	97,944
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)

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 2020 $'000	Change in equity 2020 $'000	Change in profit 2019 $'000	Change in equity 2019 $'000
Equity prices				
+10%	12,351	10,251	9,316	7,732
-10%	(13,198)	(10,955)	(9,665)	(8,022)
Interest rates				
+10 basis points	(3,879)	(3,220)	(11,695)	(9,706)
-10 basis points	2,030	1,685	11,493	9,539
Foreign currency				
+5%	69	57	28	23
-5%	(69)	(57)	(28)	(23)

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

Variable	Change in investments and loans 2020 $'000	Change in gross insurance contract liabilities 2020 $'000	Change in investments and loans 2019 $'000	Change in gross insurance contract liabilities 2019 $'000
Equity prices				
+10%	1,010,953	998,602	1,070,122	1,060,806
-10%	(807,385)	(794,186)	(1,070,166)	(1,060,501)
Interest rates				
+10 basis points	(199,532)	(195,652)	(160,197)	(148,502)
-10 basis points	199,541	197,511	160,225	148,732
Foreign currency				
+5%	459,993	459,924	467,597	467,569
-5%	(459,993)	(459,924)	(467,597)	(467,569)

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.

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YEAR ENDED 31 DECEMBER 2020

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
2020					
Gross insurance contract liabilities (including investment contracts with DPF)	11,554,073	1,184,181	5,181,445	26,612,490	44,532,189
Insurance and other payables	–	3,517,461	17,757	–	3,535,218
Derivative financial instruments	5,060	47,454	13,783	–	66,297
Lease liabilities	–	20,211	41,154	10,283	71,648
	11,559,133	4,769,307	5,254,139	26,622,773	48,205,352
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

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
2020						
Debt securities						
– Government bonds	5,465,349	33,855	32,658	18,173	2,401,101	7,951,136
– Corporate and other bonds	514,067	378,893	2,488,386	3,108,461	250,562	6,740,369
Loans and receivables*	–	–	–	–	660,771	660,771
Reinsurers' share of insurance contract liabilities	–	403,663	–	–	37,479	441,142
Other receivables*	–	23,412	4,503	3,602	338,907	370,424
Cash and cash equivalents*	–	209,902	1,068,815	14,429	(9,072)	1,284,074
	5,979,416	1,049,725	3,594,362	3,144,665	3,679,748	17,447,916
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

* 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.

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.

MAS Notice 133 prescribes capital requirement to be held in respect of counterparty default risk exposure.

For receivables arising from insurance and reinsurance contracts, none of the Company's receivables due from policyholders are past due (2019: 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, and if there is exception, justification and approval are required. The Company monitors the aggregate exposure in terms of sum at risk reinsured to any one reinsurer according to internal risk limit.

(d) Estimation of fair values

Equity securities, debt securities and collective investment schemes

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

Derivative financial instruments

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

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

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

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Estimation of fair values (continued)

Derivative financial instruments (continued)

	Notional amount (Assets) $'000	Notional amount (Liabilities) $'000	Positive revaluation $'000	Negative revaluation $'000
2020				
Forward exchange contracts	8,521,807	2,347,383	227,585	(28,192)
Futures contracts	2,864,431	594,560	61,700	(25,552)
Currency swap contracts	82,678	45,105	1,462	(908)
Interest rate swap contracts	206,000	169,189	11,055	(11,645)
	11,674,916	3,156,237	301,802	(66,297)
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)

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).

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YEAR ENDED 31 DECEMBER 2020

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
2020				
Equity securities	4,748,146	–	113,891	4,862,037
Debt securities	11,181,381	3,505,324	4,800	14,691,505
Collective investment schemes	25,097,662	3,168,656	172,659	28,438,977
Derivative financial assets	61,700	240,102	–	301,802
Derivative financial liabilities	(25,552)	(40,745)	–	(66,297)
	41,063,337	6,873,337	291,350	48,228,024
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

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

	Note	2020 $'000	2019 $'000
Cash and cash equivalents	12	1,284,074	718,492
Loans and receivables		660,771	708,206
Other receivables	11	152,388	74,221
Other payables	14	(1,135,620)	(525,867)
		961,613	975,052

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Estimation of fair values (continued)

Financial assets measured at fair value based on Level 3

	Equity securities $'000	Debt securities $'000	Collective investment schemes $'000	Total $'000
At 1 January 2020	104,234	–	84,363	188,597
Net (losses)/gains included in profit or loss for the year presented in investment income	(3,577)	–	(4,320)	(7,897)
Purchases	109,662	–	178,043	287,705
Sales	(96,428)	–	(85,427)	(181,855)
Transfer	–	4,800	–	4,800
At 31 December 2020	113,891	4,800	172,659	291,350
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

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.	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.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

5 CAPITAL, INSURANCE AND FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Estimation of fair values (continued)

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 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.

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
2020						
Financial assets						
Amount due from related companies (non-insurance)	11	8,279	(8,201)	78	–	78
Other receivables	11	143,385	–	143,385	(37,834)	105,551
		151,664	(8,201)	143,463	(37,834)	105,629
Financial liabilities						
Amount due to related companies (non-insurance)	14	(64,343)	8,201	(56,142)	–	(56,142)
Other payables and accrued expenses	14	(513,431)	–	(513,431)	37,834	(475,597)
		(577,774)	8,201	(569,573)	37,834	(531,739)
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)

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.

NOTES TO THE FINANCIAL STATEMENTS

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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 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
At 1 January 2020	34,500	5,141	97,272	511	34,343	171,767
Additions	–	335	11,636	–	2,503	14,474
Disposals	–	(1)	(538)	–	(22)	(561)
Gain on revaluation	628	–	–	–	–	628
Reversal of depreciation on revaluation	(628)	–	–	–	–	(628)
At 31 December 2020	34,500	5,475	108,370	511	36,824	185,680
Accumulated depreciation						
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
At 1 January 2020	–	3,509	77,657	128	20,985	102,279
Depreciation charge for the year	628	653	14,868	102	6,051	22,302
Disposals	–	(1)	–	–	–	(1)
Reversal of depreciation on revaluation	(628)	–	–	–	–	(628)
At 31 December 2020	–	4,161	92,525	230	27,036	123,952
Carrying amounts						
At 1 January 2019	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
At 31 December 2020	34,500	1,314	15,845	281	9,788	61,728

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 2020. 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.

$628,000 (2019: $1,795,000) of revaluation gain was credited to the revaluation reserve.

The approximate carrying amount of leasehold property would have been $12,599,000 (2019: $12,841,000) 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 2019	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
Net additions	–	–	1,692	1,692
At 31 December 2020	231,279	29,787	114,477	375,543
Accumulated amortisation				
At 1 January 2019	–	13,404	60,309	73,713
Net amortisation charge for the year	–	1,490	12,506	13,996
At 31 December 2019	–	14,894	72,815	87,709
Net amortisation charge for the year	–	1,490	4,861	6,351
At 31 December 2020	–	16,384	77,676	94,060
Carrying amounts				
At 1 January 2019	231,279	16,383	48,143	295,805
At 31 December 2019	231,279	14,893	39,970	286,142
At 31 December 2020	231,279	13,403	36,801	281,483

7 INTANGIBLE ASSETS (CONTINUED)

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 1.63% to 4.70% (2019: 2.50% to 5.94%).

(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 -0.11% to 7.19% (2019: 1.00% to 8.52%).

Others

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

Intangible assets are non-current assets.

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.

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

Right-of-use assets

	Office space	
	2020 $'000	2019 $'000
Balance at 1 January	97,944	125,789
Depreciation charge for the year	(26,936)	(27,010)
Additions to right-of-use assets	2,065	295
Derecognition of right-of-use assets	(801)	(1,130)
Balance at 31 December	72,272	97,944

Right-of-use assets are non-current assets.

Amounts recognised in profit or loss

	2020 $'000	2019 $'000
Lease under FRS 116		
Interest on lease liabilities	2,322	3,029

Amounts recognised in statement of cash flows

	2020 $'000	2019 $'000
Total cash outflow for leases	27,344	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 $32,796,000 (2019: $51,353,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

9 INVESTMENTS AND LOANS

	Note	2020 $'000	2019 $'000
Financial assets designated at fair value through profit or loss			
Equity securities			
– Listed equity securities		4,748,279	6,222,014
– Unlisted equity securities		113,758	104,239
		4,862,037	6,326,253
Debt securities			
– Government bonds		7,951,136	7,636,502
– Listed corporate and other bonds		6,396,917	3,629,003
– Unlisted corporate and other bonds		343,452	186,411
		14,691,505	11,451,916
Collective investment schemes		28,438,977	24,429,527
Derivative financial instruments	5(d)	301,802	154,763
Loans and receivables			
Investment income receivables		122,796	159,866
Policy loans		537,975	548,340
		660,771	708,206
Total investments and loans		48,955,092	43,070,665
Current portion		36,619,453	33,745,176
Non-current portion		12,335,639	9,325,489
		48,955,092	43,070,665

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	
2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 %	2019 %
305,874	59,227	315,586	61,203	103	103

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.

10 REINSURERS' SHARE OF INSURANCE CONTRACT LIABILITIES

	2020 $'000	2019 $'000
Reinsurers' share of insurance contract liabilities	441,142	1,061,281

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

	2020 $'000	2019 $'000
At 1 January	1,061,281	927,062
(Decrease)/increase in reinsurers' share of insurance contract liabilities	(620,139)	134,219
At 31 December	441,142	1,061,281
Current portion	–	–
Non-current portion	441,142	1,061,281
	441,142	1,061,281

11 INSURANCE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Receivables arising from insurance and reinsurance contracts:		
– Due from policyholders	162,113	95,286
– Due from agents	21,431	23,082
– Due from reinsurers	22,592	44,092
	206,136	162,460
Prepayments	11,900	13,096
Other receivables:		
– Amounts due from related companies (non-insurance)	78	–
– Other receivables	143,385	64,715
– Collateral deposits placed with financial institutions	8,925	9,506
	152,388	74,221
	370,424	249,777
Current portion	368,415	249,368
Non-current portion	2,009	409
	370,424	249,777

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 (2019: nil).

12 CASH AND CASH EQUIVALENTS

	2020 $'000	2019 $'000
Cash at bank and in hand	120,520	208,869
Short-term time deposits	657,978	377,080
	778,498	585,949
Cash collateral received	505,576	132,543
	1,284,074	718,492

The effective interest rate on short-term time deposits was 0.27% (2019: 1.77%) per annum and the deposits have an average maturity of less than 68 days (2019: less than 167 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	2020 $'000	2019 $'000
Long term insurance contracts:			
– Life insurance par contracts	13(i)	28,834,160	24,703,929
– Life insurance non-par contracts	13(ii)	3,867,088	3,128,303
– Investment-linked contracts			
– Unit reserves	13(iii)	11,554,073	10,650,513
– Non-unit reserves	13(iv)	40,621	10,992
		44,295,942	38,493,737
Provision for outstanding claims		236,247	221,819
Total insurance contract liabilities		44,532,189	38,715,556
Long term investment contracts:			
– Life investment contracts with DPF	13(v)	–	–
Total insurance contract liabilities (including investment contracts with DPF)		44,532,189	38,715,556
Current portion		236,247	221,819
Non-current portion		44,295,942	38,493,737
		44,532,189	38,715,556

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

– an amount of $946.9 million (2019: $897.4 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 $555.3 million (2019: $504.3 million).

13 GROSS INSURANCE CONTRACT LIABILITIES (CONTINUED)

Movements in insurance contract liabilities

(i) Life insurance par contracts

	2020 $'000	2019 $'000
At 1 January	24,703,929	20,164,772
Premiums received, net of reinsurance	4,801,500	4,277,717
Claims and surrenders	(1,703,173)	(1,667,121)
Expenses:		
– Operating	(599,197)	(603,760)
– Non-operating	(73,426)	(74,322)
Movement in deferred tax	(142,443)	(306,522)
Income:		
– Investment income	1,976,580	3,013,516
– Other expense	(64,303)	(45,611)
Transfer to shareholders' fund	(65,307)	(54,740)
At 31 December	28,834,160	24,703,929

(ii) Life insurance non-par contracts

	2020 $'000	2019 $'000
At 1 January	3,128,303	2,757,285
Valuation premiums	82,033	34,979
Liabilities released for payments on death and other terminations	(147,653)	(140,936)
Accretion of interest	44,849	82,260
Other movements	100,483	29,273
New business	69,490	60,304
Change in valuation basis:		
– Discount rate	405,376	311,462
– Regulatory changes	189,303	–
– Others	(5,096)	(6,324)
At 31 December	3,867,088	3,128,303

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.

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13 GROSS INSURANCE CONTRACT LIABILITIES (CONTINUED)

Movements in insurance contract liabilities (continued)

(iii) Investment-linked contracts (unit reserves)

	2020 $'000	2019 $'000
At 1 January	10,650,513	9,730,406
Premiums received	956,597	833,580
Fees deducted from account balances of investment-linked contracts	(307,177)	(303,885)
Liabilities released for payments on death, surrender and other terminations	(862,841)	(960,183)
Changes in unit prices	1,120,857	1,355,325
Other movements	(3,876)	(4,730)
At 31 December	11,554,073	10,650,513

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

	2020 $'000	2019 $'000
At 1 January	10,992	13,761
Premiums received	503	(631)
Fees deducted from account balances	5,569	981
Liabilities released for payments on death, surrender and other terminations	(1,335)	(301)
Accretion of interest	76	(1)
Changes in unit prices (within insurance benefits)	(3,126)	(1,732)
New business	(549)	(1,058)
Change in valuation basis:		
– Discount rate	9,466	(58)
– Regulatory changes	18,636	–
– Others	389	31
At 31 December	40,621	10,992

(v) Life investment contracts with DPF

	2020 $'000	2019 $'000
At 1 January	–	9,572
Claims and surrenders	–	(10,315)
Investment income	–	–
Others	–	743
At 31 December	–	–

14 INSURANCE AND OTHER PAYABLES

	Note	2020 $'000	2019 $'000
Payables arising from insurance and reinsurance contracts:			
– Insurance contract payables		2,352,307	2,156,143
– Reinsurance payables		47,291	758,285
		2,399,598	2,914,428
Other payables:			
– Provision for agency expenses		17,571	17,163
– Share-based payment liability	31	42,900	40,582
– Amount due to related companies (non-insurance)		56,142	34,330
– Cash collateral received	12	505,576	132,543
– Other payables and accrued expenses		513,431	301,249
		1,135,620	525,867
		3,535,218	3,440,295
Current portion		3,517,461	3,411,000
Non-current portion		17,757	29,295
		3,535,218	3,440,295

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	2020 $'000	2019 $'000
Derivative financial instruments	5(d)	66,297	46,957
Current portion		52,514	36,437
Non-current portion		13,783	10,520
		66,297	46,957

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16 DEFERRED TAX LIABILITIES

	Note	2020 $'000	2019 $'000
At 1 January		1,710,186	1,403,929
Net provision made during the year	29	142,601	306,257
At 31 December		1,852,787	1,710,186

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

	Assets		Liabilities		Net	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Short-term timing differences	(4,926)	(5,432)	–	–	(4,926)	(5,432)
Capital allowances for property and equipment	–	–	1,736	2,262	1,736	2,262
Tax on future distributions	–	–	1,855,977	1,713,356	1,855,977	1,713,356
Deferred tax (assets)/liabilities	(4,926)	(5,432)	1,857,713	1,715,618	1,852,787	1,710,186

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

	2020 $'000	2019 $'000
Current portion	20,211	24,752
Non-current portion	51,437	71,281
	71,648	96,033

18 SHARE CAPITAL

	2020 No. of shares ('000)	2019 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

	2020 $'000	2019 $'000
Revaluation reserve	21,081	20,453

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, which governs the risk-based capital framework for insurers, each insurance fund is required to maintain a fund solvency ratio (FSR) and capital adequacy ratio (CAR) of at least 50% under minimum capital requirement (MCR) and at least 100% under prescribed capital requirement (PCR) as specified in MAS Notice 133 or otherwise prescribed by MAS.

Dividends

The following dividends were declared and paid by the Company:

	2020 $'000	2019 $'000
Interim dividends		
$0.57 (2019: $0.54) per qualifying share	300,000	286,200

NOTES TO THE FINANCIAL STATEMENTS

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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
2020							
Financial assets							
Investments and loans							
– Equity securities	9	4,862,037	–	–	–	4,862,037	4,862,037
– Debt securities	9	14,691,505	–	–	–	14,691,505	14,691,505
– Collective investment schemes	9	28,438,977	–	–	–	28,438,977	28,438,977
– Derivative financial instruments	9	–	301,802	–	–	301,802	301,802
– Loans and receivables*	9	–	–	660,771	–	660,771	660,771
Other receivables*	11	–	–	152,388	–	152,388	152,388
Cash and cash equivalents*	12	–	–	1,284,074	–	1,284,074	1,284,074
		47,992,519	301,802	2,097,233	–	50,391,554	50,391,554
Financial liabilities							
Other payables	14	–	–	–	(1,135,620)	(1,135,620)	(1,135,620)
Derivative financial instruments	15	–	(66,297)	–	–	(66,297)	(66,297)
		–	(66,297)	–	(1,135,620)	(1,201,917)	(1,201,917)
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)

* 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.

22 NET INSURANCE PREMIUMS

	Insurance premiums 2020 $'000	Insurance premiums 2019 $'000	Reinsurance premiums 2020 $'000	Reinsurance premiums 2019 $'000	Net insurance premiums 2020 $'000	Net insurance premiums 2019 $'000
Life insurance par contracts	4,805,212	4,281,205	(3,712)	(3,488)	4,801,500	4,277,717
Life insurance non-par contracts	1,183,397	1,066,601	564,272	(205,896)	1,747,669	860,705
Investment-linked contracts	956,597	833,580	(7,608)	(8,145)	948,989	825,435
	6,945,206	6,181,386	552,952	(217,529)	7,498,158	5,963,857

23 FEES AND COMMISSION INCOME

	2020 $'000	2019 $'000
Fee income	23,484	25,266
Reinsurance commission	158,719	153,003
	182,203	178,269

24 INVESTMENT INCOME/(EXPENSE)

	2020 $'000	2019 $'000
Interest income		
– Debt securities	344,783	255,794
– Loans and receivables	31,919	30,997
– Cash and cash equivalents	2,890	4,238
Dividend income	537,226	502,167
Rental income	1,262	1,006
	918,080	794,202
Net realised gains and fair value changes on financial assets at fair value through profit or loss	2,598,787	4,050,015
Exchange losses	(2,144)	(3,793)
	3,514,723	4,840,424
Life insurance par contracts (including investment contracts with DPF)	1,977,622	3,013,230
Life insurance non-par contracts	412,446	465,158
Investment-linked contracts	1,121,643	1,358,422
Investment income from insurance operations	3,511,711	4,836,810
Shareholders' fund	3,012	3,614
	3,514,723	4,840,424

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25 NET CLAIMS AND BENEFITS INCURRED

	2020 $'000	2019 $'000
Long-term insurance contracts		
Life insurance par contracts (including investment contracts with DPF)		
Net claims, maturity and surrender benefits	1,703,171	1,677,438
Increase in liabilities during the year	4,130,231	4,529,584
Reinsurers' share of (decrease)/increase in liabilities during the year	(56)	769
Life insurance non-par contracts		
Net claims, maturity and surrender benefits	518,575	560,086
Increase in liabilities during the year	738,786	371,018
Reinsurers' share of increase/(decrease) in liabilities during the year	620,195	(134,988)
Investment-linked contracts		
Net claims, maturity and surrender benefits	915,667	1,014,242
Increase in liabilities during the year	933,189	917,338
Shareholders' fund claims expenses		
Net claims, maturity and surrender benefits	299	102
	9,560,057	8,935,589

26 COMMISSION AND DISTRIBUTION COSTS

	2020 $'000	2019 $'000
Commission expenses	574,104	545,675
Other acquisition costs	144,916	168,727
	719,020	714,402

Included in commission expenses is $8,061,000 (2019: $6,052,000) of the share-based compensation expenses.

27 STAFF COSTS

	2020 $'000	2019 $'000
Salaries and benefits in kind	155,180	153,110
Contributions to Central Provident Fund	12,701	12,690
Share-based compensation expenses	7,443	4,075
	175,324	169,875

28 OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	2020 $'000	2019 $'000
Administrative expenses	46,964	34,052
Operational expenses	52,677	32,080
Advertising and promotional expenses	14,724	16,016
Investment expenses	118,029	121,129

29 TAXATION

	Note	2020 $'000	2019 $'000
Current tax expense			
Current year		98,651	128,828
Adjustment for prior periods		–	(5,994)
		98,651	122,834
Deferred tax expense			
Origination and reversal of temporary differences	16	142,601	306,257
Total income tax expense		241,252	429,091

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.

	2020 $'000	2019 $'000
Reconciliation of effective tax charge		
Profit before tax	418,559	865,966
Income tax using domestic corporation tax rate of 17% (2019: 17%)	71,155	147,214
Taxation relating to insurance funds	186,952	307,954
Non-deductible expenses	2,883	3,198
Adjustment for prior periods	–	(5,994)
Non-taxable income	(27,608)	(29,491)
Others	7,870	6,210
	241,252	429,091

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YEAR ENDED 31 DECEMBER 2020

30 PROFIT FOR THE YEAR BY FUND

	2020 $'000	2019 $'000
Life insurance par contracts (including investment contracts with DPF)	65,296	45,436
Life insurance non-par contracts	83,197	313,939
Investment-linked contracts	100,594	122,437
Shareholders' fund	(71,780)	(44,937)
	177,307	436,875

31 SHARE-BASED PAYMENT TRANSACTIONS

The Company has the following share-based payment arrangements:

Share-based compensation plans (equity settled)

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

(i) 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.

(ii) 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.

31 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 of share awards are as follows:

	2020 Number of share awards	2019 Number of share awards
Awards outstanding		
At 1 January	2,867,870	3,004,106
– Granted	522,006	448,963
– Vested	(217,770)	(149,834)
– Withdrawn	(7,323)	(435,365)
At 31 December	3,164,783	2,867,870

Fair value of share awards

	Note	2020 $'000	2019 $'000
Share-based compensation expense			
– Amount accounted for as cash settled		8,061	6,052
– Amount accounted for as equity settled		7,443	4,075
Carrying value at 31 December of liabilities arising from share-based payment transactions	14	42,900	40,582

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

32 COMMITMENTS

Capital commitments

	2020 $'000	2019 $'000
Contracted at the reporting date but not provided for	10,704	8,665

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:

	2020 $'000	2019 $'000
Charges for life administration and operation services rendered by related corporations	11,223	23,448
Charges for management services provided to immediate holding company	164	164
Charges for management services rendered by a related corporation	24,844	17,953
Recovery of expense by a related corporation	55,347	28,316
Investment management fees (net) paid to a related corporation	43,198	42,239
Recovery of expense from related corporations	2,998	3,175
Salaries and other short-term employee benefits to key management	10,273	10,058

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.

35 COVID-19

The COVID-19 pandemic developed rapidly in 2020 and the Singapore government took measures to contain the spread of the virus successfully. However, the Circuit Breaker period and other restrictions on large-scale events and travel did affect economic activity.

In line with national safe management guidelines, the Company has taken health and safety measures to monitor and mitigate the impact of COVID-19, including enforcing split-team working, encouraging work from home and applying strict adherence of the safe management measures.

To assist its customers, the Company enabled remote sales advisory capabilities to stay connected to them. The Company also offered Deferred Premium Payment and Premium Instalment plans to give its customers more time to pay their premiums and to stay protected amidst the pandemic.

As part of the Company's PRUCare package, the Company provided financial relief in the form of cash benefits and hospitalisation allowance for customers and their immediate family members affected by COVID-19.

At this stage, the impact of COVID-19 on the Company's business and financial results has not been significant, and based on its experience to date and expects this to remain the case.