

MOVING AHEAD...

GREAT EASTERN LIFE ASSURANCE (MALAYSIA) BERHAD
ANNUAL REPORT 2016



C O N T E N T S

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...*TOGETHER*

As a LIFE company, Great Eastern goes beyond the call of insurance and providing financial security. We believe in empowering those around us to live healthier and better and in creating sustainable value for our stakeholders.

The dynamic arrows symbolise our strong conviction to stay ahead of the curve, constantly **Moving Ahead** in unison. The lattice design represents the cohesive and close ties we forge with our stakeholders... as we grow together with our customers, our people and the community to build a better tomorrow.



WHO WE ARE
WE ARE A LIFE COMPANY.

WHAT WE BELIEVE IN
**OUR CUSTOMERS
ARE AT THE HEART OF
ALL THAT WE DO.**

WHAT WE DO
**INSPIRING PEOPLE TO
LIVE GREAT.**

OUR MISSION

To make life great by providing financial security, and promoting good health and meaningful relationships.

OUR VISION

To be the leading financial service provider in Asia, recognised for our excellence.

OUR ETHOS

Great Eastern is always acting in the best interests of our customers with Fair Dealing as the basis of our business.

OUR CORE VALUES

INTEGRITY | INITIATIVE | INVOLVEMENT

KEY FIGURES

PERFORMANCE HIGHLIGHTS FY2016

RM770.8
MILLION

PROFIT ATTRIBUTABLE
TO SHAREHOLDERS

RM7,260.7
MILLION

GROSS PREMIUMS

RM72,946.0
MILLION

TOTAL ASSETS

RM1,802.4
MILLION

SHAREHOLDERS' FUND

RM7.71

DISTRIBUTION PER SHARE

RM3,295.1
MILLION

INVESTMENT INCOME AND
CAPITAL GAIN





TOGETHER WITH OUR CUSTOMERS

We are a LIFE company committed to helping our customers live healthier and better. From providing meaningful financial solutions to empowering and rewarding them to Live Great, we have made it our purpose to help our customers live life to the fullest.





**MOVING AHEAD TO
ENRICH LIVES**



TOGETHER WITH OUR PEOPLE

At Great Eastern, we strive to bring out the best in our people. We believe in nurturing an engaging environment to help our people grow with the company and realise their fullest potential.





**MOVING AHEAD TO
EMPOWER GROWTH**



TOGETHER WITH OUR COMMUNITY

We believe in making a positive difference in the communities we work in and adding value to the lives around us. We strive to inspire others to go the extra mile for the good and betterment of society.



**MOVING AHEAD TO
ENHANCE VALUE**

LETTER FROM THE CHAIRMAN AND CEO



Norman Ip Ka Cheung
Chairman

Y Bhg Dato Koh Yaw Hui
Chief Executive Officer

“We remain committed to upholding exemplary standards of professionalism and transparency as we continue to build our business.”

Amidst a challenging economic climate and the tightening of regulatory requirements domestically, Great Eastern Life Assurance (Malaysia) Berhad (Great Eastern Life) built on its good growth momentum of the previous year and delivered a robust set of results.

We continued to be a market leader in the conventional life insurance business and remained the largest life insurer in Malaysia by asset size.

We closed the year with a 16.8% growth in Total Weighted New Sales, improving from RM859.4 million to RM1.003 billion. Growth was driven by strong demand for regular premium investment-link products and Group Insurance for both Employee Benefits and Group Multiple Benefits Insurance Scheme as well as the continued success of our bancassurance partnership with OCBC Bank. Our asset size grew from RM70.1 billion to RM72.9 billion, while our capital adequacy ratio was significantly higher than the minimum required.

In view of the good performance, the Board has recommended a final dividend of RM3.40 per ordinary share.

BUILDING FOR THE FUTURE, NOW

To further strengthen our position, the key focuses during the year were to further optimise and expand our bancassurance platform with OCBC Bank, ramp up efforts to grow our agency force and improve productivity.

Another priority was executing our digital transformation strategy to boost distribution capabilities and invest in business-enabling technologies to better serve our customers. With the implementation of Project MegaTron in 2017, our customers will have a 360-degree, single view of their policy portfolio across multiple business lines – Life, General and Group. Through our e-Connect portal, they will be able to self-serve and analyse their protection gaps.

We remain committed to upholding exemplary standards of professionalism and transparency as we continue to build our business.

The Life Insurance and Family Takaful Framework (LIFE Framework) came into full effect. With guidance from our Steering Committee, we strengthened our infrastructure, improved our resource management and made good progress in the area of technology.



PROFIT ATTRIBUTABLE TO SHAREHOLDERS

As reported in the Corporate Governance Disclosures under the Directors' Report for the financial year ended 31 December 2016, the Company fully subscribes to the requirements and expectations of the Corporate Governance policy document issued by Bank Negara Malaysia (BNM) on 3 August 2016. As for the Transitional Arrangements outlined in Part G of the Corporate Governance policy document, the Company is taking measures to gradually meet with the specific requirements during the transition period to facilitate full compliance by the effective dates stated in the policy document.

The policy document outlines BNM's expectations on several fronts. These include having in place effective corporate governance for the long term viability of the Company, the need for Directors to strengthen oversight responsibilities, Board composition rules, and the fostering of a corporate culture by the Board and senior management to promote ethical, prudent and professional behavior, so as to be able to fully discharge its legal and governance responsibilities. It also expanded requirements on compensation structures to ensure employee incentives are aligned with prudent risk-taking.

The revamped Companies Act 2016 (CA2016) came into effect on a staggered basis from 31 January 2017. It aims to promote a dynamic business environment in line with global standards, while reinforcing corporate accountability and enhancing corporate governance. We will be reviewing our policies and procedures to comply with CA2016.

LETTER FROM THE CHAIRMAN AND CEO

As a LIFE company and the most established life insurer in Malaysia, with over a century of experience, we remain committed to delivering a comprehensive range of innovative solutions to help our customers meet their financial and wellness goals.

LIVING GREAT WITH GOOD HEALTH

As part of our customer engagement strategy, we ramped up our Live Great initiatives, further reinforcing our LIFE company purpose and bringing the Great Eastern brand closer to the community.

Our Live Great Programme continues to be a source of inspiration and support in helping Malaysians live healthier and better.

A major initiative was our sponsorship of The Amazing Race Asia Season 5. This has increased our brand visibility across the region and provided a good platform to extend our online and on-the-ground presence through a series of The Great Adventure contests in Klang Valley, Johor Bahru and Penang. Held in conjunction with the Amazing Race, the contests featured physically and mentally demanding challenges which participants had to complete in the shortest time possible.

We were the title sponsor of The Great Eastern Viper Challenge 2016 – one of Asia’s largest and most demanding obstacle courses. The Challenge promotes the importance of leading a healthier lifestyle, while fostering camaraderie and teamwork. Held over three legs – Shah Alam Stadium, Genting and Sepang International Circuit – the Challenge received overwhelming response and attracted close to 40,000 participants. Some 15,000 participated in the third and final leg, setting a Malaysia record for the “Largest Participation in an Obstacle Challenge”.

We were also the exclusive partner for the FitForLife health fair organised by The Star, one of the largest events of its kind in the country. Some 60,000 visitors to the fair in Kuala Lumpur and Penang benefitted from the wide range of health and wellness products and services, as well as activities on-site.

Our signature Live Great Run took on a new exciting dimension. The Great Eastern Bubble Dash Run 2016, the first of its kind in Malaysia, was held in Kuala Lumpur and Penang. Organised in partnership with The Heart Foundation of Malaysia (Yayasan Jantung Malaysia), the Run raised funds for the Foundation. Participants were showered with coloured foam along the route while heart-pumping music spurred them towards the finish line.

LEADING IN PRODUCT INNOVATION

Our product strategy continued to centre on delivering superior value propositions to our different customer segments.

Industry statistics show that 1 in 4 Malaysians develop cancer by the age of 75. We launched *Great Early Cancer Care*, which provides lump sum cash benefit from the early stages of cancer. This early payout serves to alleviate financial burden and provide more possibilities for the policyholder, such as opting for experimental treatments or securing their children’s education fund.


In recognition of longer life expectancies and the increasing cost of private healthcare, we extended the coverage of *SmartMedic* and *SmartMedic Xtra* to age 99 for the benefit of our policyholders. We also launched *Great Treasure 8*, a savings plan to cater to the mass and affluent markets to meet their wealth accumulation needs.

On the bancassurance front, we continued our synergistic partnership with OCBC Bank to launch *Cash Plus* and *Cancer Protector*. Both plans attracted good take-up.


We also teamed up with the bank to issue the first-of-its-kind life protection rewards scheme for credit card holders. In lieu of rebates, the revamped OCBC Great Eastern Credit Card offers RM100,000 insurance protection against death or total permanent disability.

STRENGTHENING OUR AGENCY FORCE

Our focus to boost the professionalism and productivity of our agency force, as well as to grow the force has reaped good results.



“A key focus was to develop and equip our people with competencies, skills and knowledge to achieve current business goals and to meet future challenges and build capacity for change.”



A record 2,575 achievers, the highest number in Great Eastern Life's history, qualified for our Supremacy Summit, which recognises top performers. Over 2,800 graduates to date have benefitted from our flagship Life Planning Advisors (LPA) certification programme. The programme enhances advisory skills and boosts competencies to meet the evolving needs of customers.

We worked with 10 public and private universities to reach out to undergraduates to promote the merits of a career in financial planning with Great Eastern. This initiative succeeded in attracting a good number to pursue a career with the Company.

We successfully expanded our pool of agency leaders, nationwide, and also increased recruitment numbers through our strategic Unit Sales Manager (USM) Venture programme. We will be scaling up the programme, following the good results.

We will also continue to leverage other recruitment initiatives, including Business Opportunity Conventions, 90-Day Jumpstart Programme and the augmented Agency Financing Scheme to further grow the agency force.

OUR GROUP INSURANCE BUSINESS

On the Group Insurance front, we continued to provide a wide range of Employee Benefit solutions to help companies attract, retain and keep their employees healthy. With its comprehensive protection against loss of life, total permanent disability, accident and the 36 critical illnesses, and attractive investment benefits, our Group Multiple Benefit Insurance Scheme continued to register good traction.

Our partnership with Generali Pooling Network enabled us to further penetrate the competitive Employee Benefits market.

MOVING TOGETHER AS ONE

We are passionate in grooming our people to help them achieve their fullest potential. We are committed to being an employer of choice and to nurturing a work environment which fosters collaboration and innovative thinking, anchored on the shared values and responsibilities of 'Moving Together As One'.

A key focus was to develop and equip our people with competencies, skills and knowledge to achieve current business goals and to meet future challenges and build capacity for change.

During the year, we implemented the Great Eastern Career Framework. The framework provides greater transparency and visibility to all employees vis-à-vis their career paths and opportunities, while at the same time facilitating management of cross-functional and divisional employee rotation.


It offers more structured and targeted learning and customised development for every individual employee, empowering them to take ownership of their career development as they pursue their aspirations with the Company.

Our efforts in enhancing our recruitment and on-boarding processes by providing job applicants with a clear employment road-map and new employees with a structured orientation and training programme won recognition from the Asia Recruitment Awards 2016 for Best Candidate Experience by a Corporate HR Team and Best On-boarding Experience.


Additionally, we were named Best Employer for Commitment to Effective Leadership in Malaysia 2016 by Aon Hewitt for consistently scoring 80% or higher in the Employee Engagement Survey. We also garnered the Best Employer to Work for in Asia 2016 Award from HR Asia. We were up against over 250 companies in the country. The win is testament to our strong commitment to employee development and engagement.

We awarded scholarships worth RM610,000 to deserving students to pursue their tertiary education through our Great Eastern Supremacy Scholarship Programme. This programme is also in support of Bank Negara's drive towards a high value-added and high-income economy by 2020.

Since 1998, we have awarded RM11.09 million in scholarships to 157 students to complete their studies locally or overseas.



“We will continue to strengthen our business model, prudently manage costs, improve operational efficiencies and look at innovative ways to raise service standards to enrich customer experience.”



CARING FOR OUR COMMUNITY

Caring for our community has always been one of our creeds and even as we deliver our best to our customers, we also seek to give our best to society.

Over the past 21 years, under our ChildrenCare community programme, we have contributed RM2.3 million to over 180 charities benefitting underprivileged children across Malaysia.

Our Program Aspirasi Gemilang ‘A’, in collaboration with Jabatan Kebajikan Masyarakat (JKM) and supported by the Ministry of Women, Family and Community Development, is aimed at inspiring underprivileged children to realise their scholastic potential.

The programme has grown from strength to strength. In 2016, a total of RM19,700 was awarded to needy students for achieving 197 A’s in the national examinations, a 50% increase compared with the previous year.

In conjunction with the Great Eastern Bubble Dash Run, we donated 500 pairs of running shoes to needy children to encourage them to put fitness as a priority.

Our employees and distribution representatives also gave their time and effort to organising activities to spread cheer. These included a half-day baking class at Young Chefs Academy for 30 underprivileged children from Rumah Charis and House of Joy conducted by a local celebrity chef as well as movie outings.

COMMITMENT TO EXCELLENCE

During the year, we received a string of accolades which affirms the strength of our brand and reflects the strong teamwork and our commitment to continuously raise standards and go the extra mile for our stakeholders.

For the 13th consecutive year, we were awarded the Reader’s Digest Trusted Brand Gold Award. We won The BrandLaureate Best Choice Award 2015-2016 in the Financial Planning and Wealth Management category for our innovative solutions.

At the Frost and Sullivan Malaysia Excellence Awards 2016, we were recognised for outstanding customer experience in the Health Insurance Industry and Mobile & Contact Centre categories.

Great Eastern Life was the only life insurance company in Malaysia to receive the Utusan Business Award 2015 for Industry Excellence in the Insurance Sector. The Award was for our contributions to the Malaysian economy and society and also recognised the Company’s visionary stewardship and leadership in delivering significant business growth.

In addition, we were also conferred Malaysia’s Strongest Brands Award 2016, in the Insurance Sector based on Y&R’s BrandAsset Valuator (BAV) Malaysia Study 2016 which has over 70 brand metrics, including brand health, brand imagery and loyalty.

We ended the year on a high note with The BrandLaureate Industry Champion Brand ICON Leadership Award 2016 from The Asia Pacific Brands Foundation. It honours iconic brands and industry brand champions for setting standards of excellence in their respective industries.

LOOKING AHEAD

We expect 2017 to be a challenging year as the Company faces with economic headwinds in an adverse geopolitical environment. We will continue to strengthen our business model, prudently manage costs, improve operational efficiencies and look at innovative ways to raise service standards to enrich customer experience.

The Company is pleased to extend a warm welcome to Mr Khor Hock Seng, Group Chief Executive Officer of Great Eastern Holdings Limited, as an Executive Director of the Great Eastern Group of Companies in Malaysia.

In accordance with BNM's new regulations to further strengthen corporate governance, Dato Koh Yaw Hui stepped down as an Executive Director of the Company on 21 January 2017. On behalf of the Board of Directors, the Company wishes to record their appreciation to Dato Koh Yaw Hui for his wise counsel and dedication during his term as Executive Director. In his capacity as Chief Executive Officer, Dato Koh will continue to lead the Company to greater heights.

The Company has also appointed Mr Tan Yam Pin and Madam Tan Fong Sang as Independent Directors to the Board on 3 January and 10 March 2017 respectively. Their extensive experience and active participation on the Board will boost overall governance of the Company and enhance oversight and internal controls.

We would like to convey our sincere appreciation to Bank Negara Malaysia, Great Eastern Holdings Limited and OCBC Bank for their trust and support. Our appreciation also goes to the Board of Directors for their wise counsel and insights, as well as our Management Team, employees and agency force for their contributions, professionalism and hard work. Additionally, we would like to express our heartfelt thanks to our customers for their loyalty and for entrusting us with their protection, financial and wellness goals.

At Great Eastern Life, we have the prerequisites of a great company - an established brand, strong financial position, a large customer base and an experienced team.

Moving ahead and moving together as one, we will continue to harness our strengths to deliver long term value for our stakeholders, as we forge ahead towards a new level of growth for the Company.



NORMAN IP KA CHEUNG
Chairman



DATO KOH YAW HUI
Chief Executive Officer

BOARD OF DIRECTORS



MR NORMAN IP KA CHEUNG
Chairman



MR TAN YAM PIN

Mr Ip was appointed to the Board of Directors (“Board”) of Great Eastern Life Assurance (Malaysia) Berhad (the “Company”) on 8 August 2014 as an Independent Director and Chairman of the Board. He is also the Chairman of Overseas Assurance Corporation (Malaysia) Berhad as well as a Director of Great Eastern Takaful Berhad.

Mr Ip is the Chairman of WBL Corporation Limited and also serves as a Director in several other companies, namely United Engineers Limited and AIMS AMP Capital Industrial REIT Management Limited. He is the Deputy Chairman of Building and Construction Authority. He was previously Chairman of Malaysia Smelting Corporation Berhad (until 1 July 2014) and a Director of Australia Oriental Minerals NL, a company listed on the Australian Securities Exchange (until 22 June 2011). He retired as the President and Group CEO and ED of The Straits Trading Company Limited group of companies on 31 October 2009.

Mr Ip graduated with a BSc (Econs) from the London School of Economics and Political Science. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Institute of Certified Public Accountants of Singapore.

Mr Tan was appointed to the Company’s Board on 3 January 2017 as an Independent Director.

Mr Tan is also a Director of Overseas Assurance Corporation (Malaysia) Berhad, Keppel Land Limited and Lee Kuan Yew Scholarship Fund. He has been a Member of the Singapore Public Service Commission since 1990 and currently holding the position of Deputy Chairman.

Mr Tan holds a Bachelor of Arts (Hons) from the University of Singapore and a Master of Business Administration from the University of British Columbia, Canada. He is a Fellow of the Canadian Institute of Chartered Accountants, Canada.



MR KHOR HOCK SENG



YBHG DATUK KAMARUDDIN BIN TAIB

Mr Khor was appointed to the Company's Board on 1 March 2016 as a Non-Independent Non-Executive Director. He was redesignated as an Executive Director on 3 August 2016. Mr. Khor is also a Director of Overseas Assurance Corporation (Malaysia) Berhad and Great Eastern Takaful Berhad.

Mr Khor presently sits on the Board of several companies within the Great Eastern Group in Singapore and Malaysia. Mr Khor holds a Bachelor of Arts with a major in Actuarial Science and Statistics from Macquarie University, Australia and a Certificate of Actuarial Techniques from the London Institute of Actuaries.

YBhg. Datuk Kamaruddin Taib was appointed to the Company's Board on 1 March 2010 as an Independent Director and he was re-elected as a Director on 25 March 2015. He is also the Chairman of Great Eastern Takaful Berhad.

YBhg. Datuk Kamaruddin is currently the Executive Chairman of Gemanischer Lloyd GLM Sdn Bhd and Independent Chairman of GHL Systems Berhad. He also serves as a Director of FIDE Forum and BFC Exchange Malaysia Sdn Bhd as well as an Executive Committee Member of the Malaysian Oil & Gas Service Council. He is well experienced in merchant banking, corporate finance and mergers & acquisition. Apart from the experience serving on the board of companies listed on Bursa Malaysia, his experiences include serving on the board of companies listed on the Stock Exchange of India as well as on the NASDAQ (USA). YBhg. Datuk Kamaruddin holds a Bachelor of Science Degree in Mathematics from the University of Salford, UK.

BOARD OF DIRECTORS



YBHG DATO' ALBERT YEOH BEOW TIT



MR NG HON SOON

YBhg. Dato' Albert Yeoh was appointed to the Company's Board on 31 January 2002. He became an Independent Director on 1 August 2010 and was last re-elected as the Company Director on 25 March 2015. He was redesignated as a Non-Independent Non-Executive Director on 21 March 2016. He is also a Director of Overseas Assurance Corporation (Malaysia) Berhad since 2002.

YBhg. Dato' Albert Yeoh is currently a Director in several companies, namely Cagamas MBS Berhad, Cagamas SRP Berhad, Alliance Investment Bank Berhad and Danajamin Nasional Berhad. Dato' Albert Yeoh was a Director of Corporate Banking Group for Citibank Berhad before joining OCBC Bank (Malaysia) Berhad in March 1996. He held various senior management positions within the Oversea-Chinese Banking Corporation Limited ("OCBC") Group, including the Chief Executive Officer of OCBC Bank (Malaysia) Berhad, a position which he held until his retirement on 31 July 2008.

YBhg. Dato' Albert Yeoh holds a Bachelor of Economics (Double Major in Economics and Operations Research) from Monash University, Australia and a Master of Science in Management from University of Salford, England. He was conferred Fellow to the Institute of Bankers Malaysia by the Governor of Bank Negara Malaysia in April 2002.

Mr Ng was appointed to the Company's Board on 1 November 2014 as an Independent Director. He is also a Director of Overseas Assurance Corporation (Malaysia) Berhad.

Mr Ng is currently a Director in several companies, namely Pac Lease Berhad, RAM Rating Services Berhad, OCBC Bank (Malaysia) Berhad, and OCBC Al-Amin Bank Berhad. He was previously attached to Bank Negara Malaysia from 1984 to 1994 before joining Nomura Services (M) Sdn Bhd. He joined Pacific Bank Berhad (renamed PacificMas Berhad) in 1995 and later assumed the position of General Manager of PacificMas Berhad in 2001. He was seconded to Pacific Insurance Berhad as its CEO in November 2002 and was appointed CEO of PacificMas Berhad in 2004, a post he held until October 2012.

Mr Ng holds a Bachelor of Applied Science (Computer Technology) from Universiti Sains Malaysia and Masters in Public Administration from Harvard University, USA.



MADAM TAN FONG SANG

Madam Tan was appointed to the Company's Board on 10 March 2017 as an Independent Director. She is also a Director of Overseas Assurance Corporation (Malaysia) Berhad.

Madam Tan is currently a Director of Crystal Coast Sdn Bhd. She was previously a Director in several subsidiaries of Oversea-Chinese Banking Corporation Limited ("OCBC"), namely e2 Power Sdn Bhd, OCBC Credit Berhad, OCBC Capital (Malaysia) Sdn Bhd and OCBC Advisers (M) Sdn Bhd. She held various executive positions in the OCBC Bank (Malaysia) Berhad, including the Chief Financial Officer, a position which she held until her retirement in 2012.

Madam Tan holds a Bachelor of Accounting from the National University of Malaysia. She is a Chartered Accountant registered with the Malaysian Institute of Accountants.

SENIOR MANAGEMENT TEAM



From left:

Leslie Chow Khee Leong (*Executive Vice President and Head, Employee Benefits*)

Audra Chung Kit Li (*Chief Internal Auditor*)

Cheong Soo Ching (*Chief Risk Officer*)

Y Bhg Dato Koh Yaw Hui (*Chief Executive Officer*)

Song Hock Wan (*Chief Distribution Officer*)

Chan Chee Wei (*Senior Vice President and Head, Bancassurance*)

Foong Chee Kwan (*Vice President and Head, Affinity*)



From left:

Vincent Chin Kok Lean (*Senior Vice President and Head, Information Technology*)

Richard Lin Kwok Wing (*Chief Investment Officer*)

Jeffrey Yem Voon Cheat (*Chief Operations Officer*)

Nicholas Kua Choo Ming (*Chief Marketing Officer*)

Loke Chang Yueh (*Appointed Actuary*)

Liza Hanim Binti Zainal Abidin (*Senior Vice President and Company Secretary, Company Secretariat and Legal*)

Dennis Tan Koh Tiong (*Senior Vice President and Head, Human Capital*)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Norman Ip (Chairman)
Mr Tan Yam Pin
Mr Khor Hock Seng
Y Bhg Datuk Kamaruddin Bin Taib
Y Bhg Dato' Albert Yeoh Beow Tit
Mr Ng Hon Soon
Madam Tan Fong Sang

BOARD AUDIT COMMITTEE

Y Bhg Datuk Kamaruddin Bin Taib (Chairman)
Y Bhg Dato' Albert Yeoh Beow Tit
Madam Tan Fong Sang

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

Mr Tan Yam Pin (Chairman)
Mr Norman Ip
Y Bhg Datuk Kamaruddin Bin Taib
Y Bhg Dato' Albert Yeoh Beow Tit
Mr Ng Hon Soon

BOARD RISK MANAGEMENT COMMITTEE

Mr Ng Hon Soon (Chairman)
Y Bhg Dato' Albert Yeoh Beow Tit
Madam Tan Fong Sang

CHIEF EXECUTIVE OFFICER

Y Bhg Dato Koh Yaw Hui

APPOINTED ACTUARY

Loke Chang Yueh

COMPANY SECRETARY

Liza Hanim Binti Zainal Abidin

REGISTERED OFFICE

Level 20, Menara Great Eastern
303 Jalan Ampang
50450 Kuala Lumpur

AUDITORS

Messrs Ernst & Young

ENGAGEMENT PARTNER

Brandon Bruce Sta Maria

KEY FUNCTIONAL DIVISIONS

CUSTOMER ACQUISITION DIVISION (AGENCY MANAGEMENT)

Song Hock Wan
Chief Distribution Officer

Andy Ng Yen Heng
Senior Vice President and Head
Centre for Excellence, Agency Recruitment
& Group Synergy

Koh Ken Yong
Assistant Vice President and Head
Strategic Business Development Unit

Hei Kim Yin
Senior Manager and Head
Agency Administration

REGIONAL MANAGERS

Susan Tan San San
Central Region 1

Eric Soo Hong Kee
Central Region 2

Ken Ong Kean Teik
Northern Region 2

Scott Wong Charng Yeon
Sabah Region

Ricky Voon Woo Kian
Sarawak Region

James Pang Shau Hwa
Southern Region

BUSINESS DEVELOPMENT MANAGERS

Frederick Chan Loong Meng
Alor Setar

Irene Koh Ai Lian
Batu Pahat

Tan Pang Siang
Klang

Alex Hew Aik Thye
Dickson Ow Siew Kay
Looi Chee Nang
Alicia Keh Pei Chin
Danny Liew Yew Cho
Kuala Lumpur

See Han Chung
Kuantan

Tan Chu Boon
Melaka

Brandon Lee Chi Ping
Penang

Yap Hock Ban
Seremban

CHIEF MARKETING OFFICER'S OFFICE

Nicholas Kua Choo Ming
Chief Marketing Officer

Mandy Wong Sook Man
Vice President and Head
Marketing and Customer Management

Wong Mei Chim
Vice President and Head
Product Management

Juliet Wong Poh Choo
Assistant Vice President and Head
Brand and Communications

KEY FUNCTIONAL DIVISIONS

GROUP INSURANCE

Foong Chee Kwan
Vice President and Head
Affinity

Leslie Chow Khee Leong
Executive Vice President and Head
Employee Benefits

BANCASSURANCE

Chan Chee Wei
Senior Vice President and Head

ACTUARIAL

Loke Chang Yueh
Appointed Actuary

COMPANY SECRETARIAT AND LEGAL

Liza Hanim Binti Zainal Abidin
Senior Vice President and Company
Secretary

Mazlin Haslinda Mohammed
Vice President and Head
Legal

Wendy Chin Loong Ying
Assistant Vice President
Company Secretariat

PROPERTY

Yip Swee Chang
Assistant Vice President

CHIEF FINANCIAL OFFICER'S OFFICE

Mah Poon Keong
Vice President and Head
Finance

Lo Chin Loon
Assistant Vice President and Head
Strategic Planning

Gan Geok Lai
Manager and Head
Investment Operations

CHIEF RISK OFFICER'S OFFICE

Cheong Soo Ching
Chief Risk Officer

Helen Quat Li Huang
Assistant Vice President and Head
Compliance

HUMAN CAPITAL

Dennis Tan Koh Tiong
Senior Vice President and Head

Kwon Yen May
Assistant Vice President and Head
Corporate Services

INTERNAL AUDIT

Audra Chung Kit Li
Chief Internal Auditor

INFORMATION TECHNOLOGY

Vincent Chin Kok Lean
Senior Vice President and Head

INVESTMENT

Richard Lin Kwok Wing
Chief Investment Officer

Alexis Jong Kian Wei
Vice President and Head
Fixed Income

Goh Pei Kuan
Vice President and Head
Equity

CHIEF OPERATIONS OFFICER'S OFFICE

Jeffrey Yem Voon Cheat
Chief Operations Officer

Dr Ang Tze Yeow
Vice President and Head
HealthCare Services

Tee Teik Chuang
Vice President and Head
Branch Operations, Policy Processing,
Customer Service & Contact Centre
and Group Multiple Benefit Scheme
Admin

Kong Siew Choe
Assistant Vice President and Head
Operations Support

Ng Li Yan
Vice President and Head
New Business

Dr. CM Anne a/p CT Mathews
Medical Director and Head
Life Claims

2016 AGENTS' HONOUR ROLL CEO'S EXCELLENCE AWARD



From left:

Dato' Gan Ai Ling (*Top Unit Sales Manager*)

Dato' Toh Chun Shiong (*Top Group Sales Manager*)

Lew Siow Yin (*Top Agent*)

TOP PRODUCERS



From left:

Lew Siow Yin (*Top Agent*)

Dato' Gan Ai Ling (*Top Unit Sales Manager and Top Personal Producer*)

Dato' Toh Chun Shiong (*Top Group Sales Manager - Whole Group and Direct Group*)

Heng Shoo Ju (*Top Career Agent*)

2016 AGENTS' HONOUR ROLL

TOP 3 GROUP SALES MANAGERS (WHOLE GROUP)

Name	Award
DATO' TOH CHUN SHIONG	Champion
TAN LAY SEONG	1st Runner Up
CHEN LAI LI	2nd Runner Up

TOP 3 AGENTS

Name	Award
LEW SIOW YIN	Champion
ANG CHING YEE	1st Runner Up
YIP PUI YEAN	2nd Runner Up

TOP 3 GROUP SALES MANAGERS (DIRECT GROUP)

Name	Award
DATO' TOH CHUN SHIONG	Champion
YAU KIM CHOY	1st Runner Up
CHENG ENG LEE	2nd Runner Up

MDRT TOP OF THE TABLE

Name	Years
LEE MOI CHIN	20 Q&L
DATO' GAN AI LING	7 Q

TOP 3 UNIT SALES MANAGERS (GROUP)

Name	Award
DATO' GAN AI LING	Champion
BO CHIN HOONG	1st Runner Up
SOH SOON HUAT	2nd Runner Up

MDRT COURT OF THE TABLE

Name	Years
HENG SHOOU JU	20 Q&L
DATO' CHEN FOONG LING	15 Q&L
TIEW WAY CHIN	10 Q&L
YAP YIN ROU	2 Q

TOP 3 PERSONAL PRODUCERS

Name	Award
DATO' GAN AI LING	Champion
DATO' TOH CHUN SHIONG	1st Runner Up
LEW SIOW YIN	2nd Runner Up

QUARTER CENTURY CLUB

Name
ROBERT CHEAH BOOY
G SATHEESAN
CHONG MOAN LAM @ CHEONG MOON LAM
V MAHALINGAM

TOP 3 CAREER AGENTS

Name	Award
HENG SHOOU JU	Champion
WONG SHU FON	1st Runner Up
ANG WEI PIN	2nd Runner Up

2016 AGENTS' HONOUR ROLL

HONOUR ROLL

Name
G SATHEESAN
ROBERT CHEAH BOOY
V MAHALINGAM
GAN SING SHOO
A UTHAY KUMARAN
CHEAH HAR MOOI
HENG SHOOU JU
KIU SIU UNG
LAW KIM NOI
LEE FONG THYE
LEE MOI CHIN
CHENG WAN LENG
DATO' GUI SIEW LUANG
DATO' TOH CHUN SHIONG
TANG YET KIEW
FOO KWAI KHENG
KHO SIANG KIT
LIEW SIEW YUN
PUA LIAN KENG
DATO' CHEN FOONG LING
CHONG CHING SHON
LAW SUOK UNG
DATO' SELVA KUMAR P KARPANAN
TAN CHOO MENG

MDRT QUALIFYING & LIFE MEMBERS

Name	Years
V MAHALINGAM	25 QL
A UTHAY KUMARAN	23 QL
LAW KIM NOI	20Q 22L
CHEAH HAR MOOI	20Q 21L
KIU SIU UNG	20 QL
CHENG WAN LENG	17 QL
DATO' GUI SIEW LUANG	17 QL
DATO' TOH CHUN SHIONG	17 QL
FOO KWAI KHENG	16 QL
KHO SIANG KIT	16 QL
LIEW SIEW YUN	16 QL
PUA LIAN KENG	16 QL
TAN CHOO MENG	15Q 16L
CHONG CHING SHON	15 QL
DATO' SELVA KUMAR	15 QL
LAW SUOK UNG	15 QL
BENNIE HOO WEI CHUAN	14QL
YU SIONG CHOO	14Q 18L
GAN CHOON WAH	14 QL
LIM LAY HEONG	14 QL
CHEN LAI LI	13 QL
KONG KAH LUN	13 QL
K AMUTHA	12 QL
HENG SHOOU BAO	12 QL
WONG CHEN SEONG	12 QL
AW AY FONG	11Q 13L
LO NYOK MOOI	11 QL
SIAH LEE HUAT	11 QL
R GAJAINDAREN	10 QL
NGO LIANG CHIAU	10 QL
TAN HUI HUANG	10 QL

MDRT LIFE MEMBERS

Name	Years
ROBERT CHEAH BOOY	34
G SATHEESAN	32
CHONG MOAN LAM @ CHEONG MOON LAM	26
GAN SING SHOO	23
LAI KOK FUNG	22
LEE FONG THYE	20
CHEONG KIM CHEE	19
TANG YET KIEW	19
DATIN TAN PO MOI	18
LEONG YUET WAN	18
NG BOK HER	18
TAN KIM KOK	18
PHANG BOON CHAI	17
TAN LAY SEONG	17
KOH KER LIK	15
DATO' CHAN MON CHI	14
CHEH YOKE LENG	14
CHONG PUI KIM	12

* The above is subjected to their application and official acceptance by MDRT 2017 - names printed are based on Company's Life Production record only.

* Information is accurate at time of printing.

CALENDER OF EVENTS



JANUARY

- 2016 Central Region Head Start at Genting International Convention Centre (GICC)
- Great Eastern Life Assurance (Malaysia) Berhad (GELM) launched Great Treasure 8 (GT8), an endowment plan which offers guaranteed yearly cash payouts
- ChildrenCare Chinese New Year cook-off – 30 underprivileged children learnt how to bake at the Young Chefs Academy

FEBRUARY

- Chinese New Year celebration during Townhall
- ChildrenCare Chinese New Year celebration – Three homes received water filter and gift vouchers worth RM10,000 in total. 60 underprivileged children were treated to a warm and joyous dinner banquet at Cititel Mid Valley



MARCH

- GELM won the Utusan Business Award 2015 - Industry Excellence Award in Insurance Sector
- GELM sponsored the 'Share The Love' Campaign which benefited more than 35,000 students and staffs in Universiti Sains Malaysia (USM)
- GELM is the title sponsor of The Great Eastern Viper Challenge 2016
- 2015 Great Eastern Supremacy Summit set a new milestone by recording the highest number of achievers, 2,575 in 108 years
- ChildrenCare organised a Movie Day Out with 50 underprivileged children to watch 'Kung Fu Panda 3' at Cathay Cineplexes

APRIL

- FitForLife Fair, held in Kuala Lumpur for the 5th consecutive year recorded close to 60,000 visitors for the 3-day fair
- GELM celebrates World Health Day at Live Great Space by raising awareness about diabetes issues
- GELM won the Human Resources Asia Recruitment Awards 2016 – Gold winner for Best Candidate Experience by a Corporate HR Team and Best On-boarding Experience
- Colour Me Up! Colouring Contest campaign aimed at Malaysian primary school children to bring out their artistic talent and creativity

CALENDER OF EVENTS



MAY

- Life Planning Advisors 2015 Graduation – 214 members graduated from class of 2015, making the total of 2,879 LPA graduates to date
- ChildrenCare Charity Book Fair – A 3-day book fair fundraising event, in collaboration with MPH Bookstores Malaysia held at The Great Eastern Mall
- GELM won the Reader's Digest Trusted Brand Gold Award for the 13th consecutive year

JUNE

- ChildrenCare contributed gift vouchers worth RM2,000 each to 3 underprivileged children homes to celebrate Hari Raya Aidilfitri
- GELM received the BrandLaureate Best Choice Award 2015 – 2016 for Leadership in Financial Planning and Wealth Management



JULY

- GELM launched the Great Early Cancer Care, which provides lump sum cash benefit from the early stages of cancer onwards
- Hari Raya Aidilfitri celebration during Townhall
- GELM won the Malaysia Strongest Brand Award 2016 in the Insurance sector based on Y & R Brand Asset Valuator

AUGUST

- ChildrenCare conducted the Let's Score 'A' Workshop (UPSR) for 70 underprivileged children
- GELM celebrated its 108th Anniversary
- GELM won the Frost & Sullivan Excellence in Customer Experience Award 2016 for two categories – Health Insurance Industry Malaysia and Mobile & Contact Center Experience
- GELM awarded scholarships worth RM610,000 to nine deserving students through the Great Eastern Supremacy Scholarship Award
- Great Eastern Viper Challenge at Genting Highlands attracted 10,000 people

CALENDER OF EVENTS



SEPTEMBER

- ChildrenCare conducted the Let's Score 'A' Workshop (PT3) for 70 underprivileged children
- LIAM Nationwide Blood Donation Campaign held in branches attracted more than 1,000 donors for the campaign
- GELM organised Great Eastern Bubble Dash Run 2016 in Penang, Malaysia's first ever fun run with multi-colored bubble foam
- ChildrenCare Program Aspirasi Gemilang 'A' Award Ceremony - GELM awarded RM19,700 to 104 underprivileged children. This is the GELM's 3rd year in the programme with an increase of 49% numbers of 'A's achieved

OCTOBER

- Great Eastern Life Annual Dinner and Dance, the theme "Roaring 20's" held in Sunway Convention Centre
- ChildrenCare conducted the Let's Score 'A' Workshop (SPM) for underprivileged children under JKM
- FitForLife health & wellness fair was held in Penang for the second time
- Dato Koh Yaw Hui, CEO of GELM won The BrandLaureate Industry Champion Brand ICON Leadership Award 2016
- GELM awarded the BrandLaureate Best Choice Industry Brand ICON Leadership Award 2016
- Great Eastern Bubble Dash Run 2016 held at Merdeka Square, Kuala Lumpur attracted over 15,000 participants
- ChildrenCare donated 500 pairs of sports shoes to underprivileged children in conjunction with the Great Eastern Bubble Dash Run 2016 and sponsored 50 children to join the 5KM fun run.
- GELM awarded HR Asia Best Companies to Work for in Asia 2016 by Business Media International

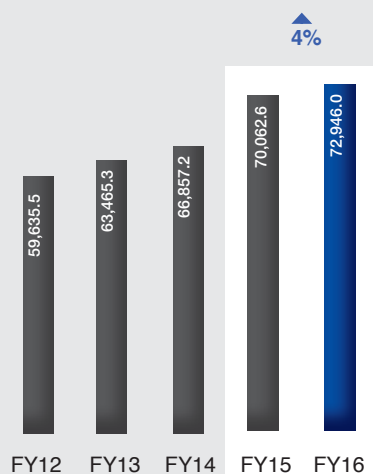


NOVEMBER

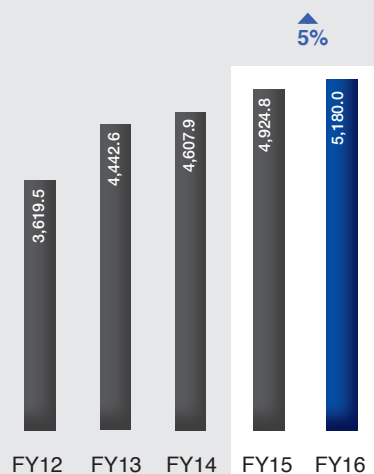
- GELM sponsored The Amazing Race Asia Season 5 and initiated The Great Adventure, a race against time to overcome physical and mental challenges. The event was held in 3 major cities namely Kuala Lumpur, Johor Bahru and Penang
- Great Eastern Viper Challenge 2016 in Sepang set a Malaysia record for the "Largest Participation in Obstacle Challenge"

FINANCIAL SYNOPSIS 2016

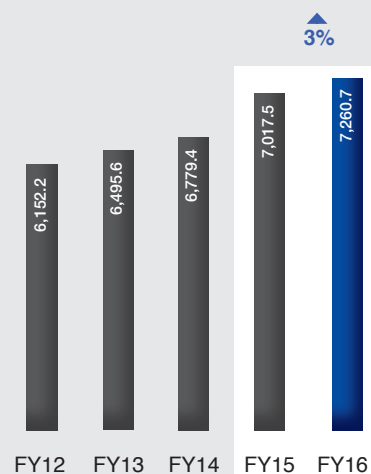
Total assets RM millions



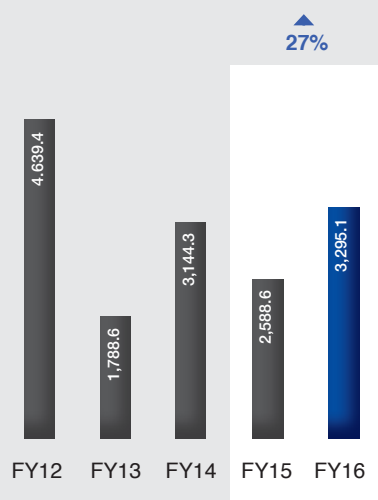
Benefits to policy owners RM millions



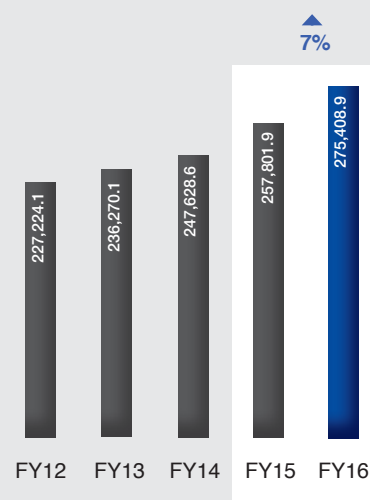
Gross premium income RM millions



Investment income & capital gain RM millions



Business in force RM millions



DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The Company is engaged principally in the underwriting of life insurance business including investments-linked business.

RESULTS

	RM'000
Net profit for the year	770,811

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

HOLDING COMPANY

The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public listed company incorporated in the Republic of Singapore.

DIVIDENDS

The amount of dividends paid by the Company since 31 December 2015 were as follows:

	RM'000
In respect of financial year ended 31 December 2015:	
Final single tier dividend of RM4.50 per ordinary share on 100,000,005 ordinary shares declared on 30 March 2016 and paid on 28 April 2016	450,000
In respect of financial year ended 31 December 2016:	
Interim single tier dividend of RM2.73 per ordinary share on 100,000,005 ordinary shares paid on 29 September 2016	273,000
	723,000

At the forthcoming Annual General Meeting, a second and final single tier dividend in respect of the current financial year ended 31 December 2016 on 100,000,005 ordinary shares amounting to a total dividend of RM340,000,017 (RM3.40 per share) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

DIRECTORS' REPORT

DIRECTORS

The names of the Directors of the Company in office since the beginning of the financial year to the date of this report are:

Mr Norman Ip (Chairman)
Mr Tan Yam Pin (Appointed on 3 January 2017)
Mr Khor Hock Seng
Y Bhg Datuk Kamaruddin bin Taib
Y Bhg Dato' Yeoh Beow Tit
Y Bhg Dato Koh Yaw Hui (Stepped down on 20 January 2017)
Mr Ng Hon Soon
Madam Tan Fong Sang (Appointed on 10 March 2017)

In accordance with Article 66 of the Company's Constitution, Mr Ng Hon Soon and Y Bhg Dato' Yeoh Beow Tit would retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 70 of the Company's Constitution, Mr Tan Yam Pin and Madam Tan Fong Sang would retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the Directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than the options over shares in the Company's ultimate holding company as disclosed in this report.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full-time employee of the Company as shown in Note 24(b) and 31(b) to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest required to be disclosed under Fifth Schedule, Part 1 Section 3 of the Companies Act, 2016.

During the financial year, the amount of indemnity given or insurance effected for any Directors and officers of the Company amount to RM4,296,000.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, the interests of Directors in office at the end of the financial year in shares and options over shares in the Company's ultimate holding company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") during the financial year were as follows:

		Shareholdings in which Directors have a direct interest			
		1.1.2016	Acquired	Disposed	31.12.2016
(a) Ordinary shares in the capital of OCBC Bank					
Mr Norman Ip	4,109	92	-		4,201
Mr Khor Hock Seng	18,662	122,859	-		141,521
Y Bhg Dato' Yeoh Beow Tit	378,766	34,140	(70,000)		342,906
Y Bhq Dato Koh Yaw Hui	175,391	24,249	(14,000)		185,640

	1.1.2016	Shareholdings in which Directors are deemed to have an interest			31.12.2016
		Adjustment	Granted	Vested	
Mr Khor Hock Seng	368,577	-	-	(122,859)	245,718 ⁽¹⁾
Y Bhg Dato' Yeoh Beow Tit	29,961	-	-	(29,961)	-
Y Bhg Dato Koh Yaw Hui	40,045	-	21,648	(17,834)	43,859 ⁽²⁾

Notes:

⁽¹⁾ Deemed interest from Remuneration Trust to be released annually on 31 March 2016 to 2018.

⁽²⁾ Comprises deemed interest in 36,700 ordinary shares subject to award(s) under the OCBC Deferred Share Plan and subscription rights over 7,159 ordinary shares granted under the OCBC Employee Share Purchase Plan.

		Options held by Directors in their own name					
		Exercise					
		Price					
		S\$	1.1.2016	Granted	Exercised	31.12.2016	
		Expiry					
		Date					
(c)	Options to subscribe for ordinary shares in the capital of OCBC Bank						
	Y Bhg Dato' Yeoh Beow Tit	13.3.2017	8.35	51,415	-	(26,000)	25,415
		13.3.2018	7.31	51,415	-	-	51,415
	Y Bhg Dato Koh Yaw Hui	22.5.2016	6.40	10,000	-	(10,000)	-
		13.3.2017	8.35	20,566	-	(10,566)	10,000
		13.3.2018	7.31	25,707	-	(3,707)	22,000
		15.3.2019	4.02	20,566	-	(566)	20,000
		14.3.2020	8.52	41,132	-	(1,132)	40,000
		13.3.2021	9.09	37,813	-	-	37,813
		13.3.2022	8.56	86,387	-	(6,387)	80,000
		13.3.2023	10.02	191,161	-	-	191,161
		13.3.2024	9.17	123,277	-	-	123,277
		15.3.2025	10.38	29,608	-	-	29,608
		15.3.2026	8.81	-	32,533	-	32,533

DIRECTORS' REPORT

DIRECTORS' INTERESTS (CONTINUED)

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

CORPORATE GOVERNANCE DISCLOSURES

The Company has taken concerted steps to comply with Bank Negara Malaysia ("BNM") Policy Document on Corporate Governance issued on 3 August 2016. The Company is committed to the standards and practices prescribed in this policy document.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheet, income statement and statement of comprehensive income of the Company were made out, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
 - (i) it necessary to write-off any bad debts or the amount of provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
 - (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
 - (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations as and when they fall due; and
 - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Company for the financial year in which this report is made.

DIRECTORS' REPORT

OTHER STATUTORY INFORMATION (CONTINUED)

- (g) Before the balance sheet and income statement of the Company were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its insurance liabilities in accordance with the valuation method specified in Part D of the Risk-Based Capital Framework for insurers issued by BNM.

For the purpose of paragraphs (e) and (f) above, contingent and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Company.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office. Details of Auditor's remuneration for their services as auditors are disclosed in Note 24 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 March 2017

Kamaruddin bin Taib
Kuala Lumpur

Ng Hon Soon

STATEMENT OF CORPORATE GOVERNANCE

CORPORATE GOVERNANCE DISCLOSURES (as referred to in the Directors' Report)

The Board of Directors (the “Board”) and Management of Great Eastern Life Assurance (Malaysia) Berhad (the “Company”) place great importance on high standards of corporate conduct and are committed to upholding values of integrity, honesty and proper corporate conduct at all times in the business operations and dealings of the Company.

The Company adopts corporate governance practices which are in conformity with Bank Negara Malaysia (“BNM”) Policy Document on Corporate Governance issued on 3 August 2016 (the “CG PD”) and is continually enhancing standards of the overall governance of the Company.

THE BOARD'S CONDUCT OF AFFAIRS

Board's responsibilities and accountability

The Board provides strategic directions to the Company and its principal roles and functions include the following:

- (a) setting and overseeing the implementation of business and risk objectives, as well as strategies and in doing so, shall have regard to the long term viability of the Company and reasonable standards of fair dealing;
- (b) approving the risk appetite, business plans and other initiatives which would, singularly or cumulatively, have a material impact on the Company's risk profile;
- (c) overseeing the implementation of the Company's governance framework and internal control framework, and periodically review whether these remain appropriate in light of material changes to the size, nature and complexity of the Company's operations;
- (d) overseeing the selection, performance, remuneration and succession plans of the Chief Executive Officer (“CEO”), control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Company;
- (e) ensuring that there is a reliable and transparent financial reporting process within the Company;
- (f) overseeing and approving the recovery and resolution as well as business continuity plans for the Company to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- (g) promoting, together with senior management, a sound corporate culture within the Company which reinforces ethical, prudent and professional behaviour;
- (h) promoting sustainability through appropriate environmental, social and governance considerations in the Company's business strategies; and
- (i) promoting timely and effective communications between the Company and BNM on matters affecting or that may affect the safety and soundness of the Company.

The matters requiring Board approval include but are not limited to the overall business strategy and direction, significant policies governing the operations of the Company, strategic or significant acquisitions and disposal of assets by the Company, corporate restructuring, major corporate initiatives and other activities of a significant nature, dividend policy and dividend declaration, all material and special related party transactions, authority levels for the Company's core functions and outsourcing of core business functions.

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Board Committees

The Board has established a number of Board committees ("Board Committees") to assist it in carrying out effective oversight of the operations and business affairs of the Company. These Board Committees consist of the Board Nominations and Remuneration Committee, Board Audit Committee and Board Risk Management Committee. All the Board Committees have been constituted with clear Board-approved written terms of reference.

The Company's Board Committees, in carrying out their responsibilities in accordance with their respective terms of reference, are also actively involved in assisting the Board to ensure compliance with good corporate governance practices by the Company. Details of the roles and principal responsibilities of the Board Committees are set out in relevant sections on the respective Board Committees herein. Minutes of all Board Committees' meetings, which provide fair and accurate record of the discussions, key deliberations and decisions taken during the meetings, are maintained, and are circulated to the Board on a regular basis.

Meetings and Directors' Attendance

The Board meets regularly during the year to review the business performance and key activities of the Company, and to consider business proposals of a significant nature. All members of the Board participated actively in Board discussions, and decisions are made objectively in the interests of the Company. The Board guided Management with strategic directions to achieve its stated goals and the Management remains accountable to the Board. Where warranted by particular circumstances, *ad hoc* Board or Board Committee meetings will be convened. In 2016, the Board convened eleven Board meetings comprising one Board Retreat, eight scheduled and two *ad hoc* Board meetings. Meetings of the Board and Board Committees via telephone or video conference are permitted by the Company's Articles of Association. Director who is unable to attend any Board or Board Committee meeting will still be provided with all meeting papers for information.

All Directors have complied with the minimum 75% meeting attendance requirement at Board meetings as stipulated in the CG PD and Board Charter.

The number of meetings of the Board and Board Committees held in 2016 and the attendance of the Director at those meetings are tabulated below:

Directors' attendance at Board and Board Committees' meetings in 2016

Name of Director	Board	
	No. of Meetings ⁽⁵⁾ Held	Attended
Mr Norman Ip ⁽¹⁾	11	11
Mr Khor Hock Seng ⁽²⁾	9	8
Y Bhg Datuk Kamaruddin bin Taib ⁽³⁾	11	11
Y Bhg Dato' Yeoh Beow Tit	11	11
Y Bhg Dato Koh Yaw Hui	11	11
Mr Ng Hon Soon ⁽⁴⁾	11	11

STATEMENT OF CORPORATE GOVERNANCE

THE BOARD'S CONDUCT OF AFFAIRS (CONTINUED)

Meetings and Directors' Attendance (continued)

Directors' attendance at Board and Board Committee meetings in 2016 (continued)

Name of Director	Board Nominations and Remuneration Committee ⁽⁶⁾		Board Audit Committee ⁽⁸⁾		Board Risk Management Committee ⁽¹⁰⁾	
	No. of Meetings ⁽⁷⁾		No. of Meetings ⁽⁹⁾		No. of Meetings ⁽¹¹⁾	
	Held	Attended	Held	Attended	Held	Attended
Mr Norman Ip ⁽¹⁾	15	15	7	7	-	-
Mr Khor Hock Seng ⁽²⁾	11	10 ⁽¹²⁾	5	4 ⁽¹³⁾	6	6 ⁽¹³⁾
Y Bhg Datuk Kamaruddin bin Taib ⁽³⁾	15	15 ⁽¹²⁾	7	7	7	7
Y Bhg Dato' Yeoh Beow Tit	15	15	7	7	7	7
Y Bhg Dato Koh Yaw Hui	15	13 ⁽¹³⁾	7	6 ⁽¹³⁾	7	6 ⁽¹³⁾
Mr Ng Hon Soon ⁽⁴⁾	15	15 ⁽¹²⁾	7	7 ⁽¹³⁾	7	7

Notes:

- ⁽¹⁾ Appointed as Chairman of Nominating Committee and Chairman of Remuneration Committee on 1 June 2016.
- ⁽²⁾ Appointed as Director and Member of Nominating Committee on 1 March 2016 and 1 June 2016 respectively.
- ⁽³⁾ Appointed as Chairman of Audit Committee on 1 June 2016.
- ⁽⁴⁾ Appointed as Member of Board Risk Committee on 4 January 2016. Appointed as Chairman of Board Risk Committee and Member of Remuneration Committee on 1 June 2016.
- ⁽⁵⁾ A total of 11 Board meetings (including Board Retreat) were held in 2016.
- ⁽⁶⁾ The Board Nominations and Remuneration Committee was established on 1 December 2016, it was formerly known as the Nominating Committee and Remuneration Committee respectively.
- ⁽⁷⁾ A total of 9 and 6 Nominating Committee and Remuneration Committee meetings were held in 2016 respectively, prior to the establishment of the Board Nominations and Remuneration Committee.
- ⁽⁸⁾ The Audit Committee is known as Board Audit Committee effective from 1 December 2016.
- ⁽⁹⁾ A total of 7 Audit Committee meetings (including 1 Joint Audit Committee - Board Risk Committee Meeting) were held in 2016.
- ⁽¹⁰⁾ The Board Risk Committee is known as Board Risk Management Committee effective from 1 December 2016.
- ⁽¹¹⁾ A total of 7 Board Risk Committee meetings were held in 2016.
- ⁽¹²⁾ Attendance as a Member/Invitee on combined basis.
- ⁽¹³⁾ Attendance by Invitation.
- ⁽⁻⁾ Not applicable to the Non-Member of the respective Board Committees.

STATEMENT OF CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Board Membership

The Company's present Board comprises six Directors with an Independent Chairman, Mr Norman Ip, four other Non-Executive Directors and one Executive Director.

Mr Khor Hock Seng was appointed to the Board on 1 March 2016 as a Non-Independent Non-Executive Director. He, being the Group CEO at the holding company level was then redesignated as Executive Director following the requirement of the CG PD effective 3 August 2016.

All appointments and re-appointments of Directors of the Company are subject to the approval of BNM.

The composition of the Board was as follows:

Members of the Board

Mr Norman Ip, Chairman

Mr Tan Yam Pin

Mr Khor Hock Seng

Y Bhg Datuk Kamaruddin bin Taib

Y Bhg Dato' Yeoh Beow Tit

Mr Ng Hon Soon

Madam Tan Fong Sang

Status of directorship

Independent Director

Independent Director

Executive Director

Independent Director

Non-Independent Non-Executive Director

Independent Director

Independent Director

Note:

Mr Tan Yam Pin was appointed as an Independent Director and Chairman of the Board Nominations and Remuneration Committee on 3 January 2017.

Y Bhg Dato Koh Yaw Hui had stepped down as an Executive Director on 20 January 2017.

Madam Tan Fong Sang was appointed as an Independent Director and Member of the Board Audit Committee and Board Risk Management Committee on 10 March 2017.

Key Information on Directors

The key information on each Director is set out under the sections 'Board of Directors' and 'Further Information on Directors' of the Company's Annual Report¹. The Directors' membership in the various Board Committees is set out herein. Directors' interests in shares and share options in the Company's ultimate parent company, Oversea-Chinese Banking Corporation Limited ("OCBC Bank") are disclosed in the Directors' Report that accompanies the Company's financial statements for the year ended 31 December 2016. The Directors do not hold any shares in the Company.

Board Composition and Independence

The Company determines the independence of its Directors in accordance with the requirements under the CG PD. Under the CG PD, an Independent Director of the Company is one who himself or any person linked to him is independent from management, the substantial shareholders of the Company or any of its affiliates, and has no significant business or other contractual relationship with the Company or any of its affiliates within the last two years; and has not served for more than nine years on the Board².

Notes:

⁽¹⁾ Available at the Company's website

⁽²⁾ CG PD provide for tenure limits of independent directors to generally not exceed nine years except under exceptional circumstances or as part of the transitional arrangement.

STATEMENT OF CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE (CONTINUED)

Board Composition and Independence (continued)

At least half of the Company's Board composition is required to consist of Independent Directors³. The Board Nominations and Remuneration Committee determines annually whether a Director is independent. Taking into consideration the definition of "independence" of a Director under the CG PD, the Board Nominations and Remuneration Committee has determined that the Company's Independent Directors are currently Mr Norman Ip, Mr Tan Yam Pin, Y Bhg Datuk Kamaruddin bin Taib, Mr Ng Hon Soon and Madam Tan Fong Sang.

In 2016, BNM had redesignated Y Bhg Dato' Yeoh Beow Tit as Non-Independent Non-Executive Director as he has served for more than nine years on the Board.

The Board, through its Board Nominations and Remuneration Committee, is of the view that the current Board size facilitates effective decision making, taking into account the scope and nature of the operations of the Company.

The Board members of the Company are from diverse backgrounds and qualifications, and bring a wide range of financial and commercial experience to the Board. Collectively, they provide the necessary business acumen, knowledge, capabilities and core competencies to the Company, including industry knowledge in insurance, investment and asset management, banking, accounting, finance, strategy formulation, management experience, risk management and familiarity with regulatory requirements. The diversity of experience and competencies of the Directors enhance the effectiveness of the Board in discharging its responsibilities. Directors who serve on the Board Committees have an appropriate mix of skills and capabilities, taking into account the skill set required for the Board Committees to perform their respective roles and responsibilities.

With the knowledge, objectivity and balance contributed by the Non-Executive Directors, they constructively challenge and help develop proposals on strategy and review the performance of Management against agreed goals and objectives and monitor their performance.

CHAIRMAN AND CEO

The roles of the Chairman⁴, Mr Norman Ip, and the CEO, Y Bhg Dato Koh Yaw Hui, are distinct and separate, with clear division of responsibilities between them to ensure an appropriate balance of power, increased accountability and greater independence in decision making. The Chairman and the CEO are not related to each other.

The principal responsibilities of the Chairman include leading the Board to ensure its effectiveness on various aspects of the Board's role, approving the meeting agenda of the Board, monitoring the quality and timeliness of the flow of information from Management to the Board and promoting effective communication with shareholders. The Chairman also facilitates robust discussions and deliberations in Board meetings, encourages constructive relations between Executive and Non-Executive Directors, as well as between the Board and Management, and promotes high standards of corporate governance with the full support of the other Directors, the Company Secretary and Management. He also leads efforts to address the Board's developmental needs.

The CEO⁵ manages the Company and oversees the Company's operations and implementation of the Company's strategies, plans and policies to achieve planned corporate performance and financial goals. His management of the Company's businesses, including implementing the Board's decisions, is carried out with the assistance of the Senior Officers of the Company. He is primarily responsible for the day-to-day operations and administration of the Company, ensuring, *inter alia*, operational and organisational efficiency, profitable performance, regulatory compliance, good corporate governance and effective risk management.

Notes:

³ Transitional arrangements are allowed for Independent Directors to make up at least half of the board membership by 3 August 2019 and Independent Directors to make up a majority of the board membership by 3 August 2021.

⁴ The roles and responsibilities of the Chairman are stipulated under Para 9.1 of the CG PD.

⁵ The responsibilities of the CEO are stipulated under Item 16.1 of the CG PD.

STATEMENT OF CORPORATE GOVERNANCE

PROCESS FOR APPOINTMENT OF NEW DIRECTORS

BOARD NOMINATIONS AND REMUNERATION COMMITTEE

The Board Nominations and Remuneration Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Nominations and Remuneration Committee comprises the following Directors:

- Mr Tan Yam Pin, Chairman
- Mr Norman Ip, Member
- Y Bhg Datuk Kamaruddin bin Taib, Member
- Y Bhg Dato' Yeoh Beow Tit, Member
- Mr Ng Hon Soon, Member

The responsibilities of the Board Nominations and Remuneration Committee are set out in its Board-approved terms of reference. The Board Nominations and Remuneration Committee is responsible for identifying candidates, reviewing and recommending nominations and/or re-appointment of Directors and CEO. It also reviews nominations and makes recommendations to the Board for Senior Officer positions in the Company.

The Board Nominations and Remuneration Committee has a key role in carrying out the formal and transparent process established for the appointment of new Directors to the Board. Proposals for the appointment of new Directors are reviewed by the Board Nominations and Remuneration Committee. The Board Nominations and Remuneration Committee meets with the candidates to assess their suitability and commitment. Competent individuals are nominated for Board approval after the Board Nominations and Remuneration Committee has assessed their suitability taking into consideration, amongst others, their professional qualifications, integrity, financial and commercial business experience and expertise relevant to the Company, potential to contribute to the effectiveness of the Board and to complement the skills, knowledge and expertise of the Board.

In addition, the Board Nominations and Remuneration Committee further determines the proposed candidate's independence status under the CG PD, and ensures that the proposed candidate would satisfy the criteria under the CG PD in that his appointment would not result in non-compliance with any of the composition requirements for the Board and Board Committees, and that he is fit and proper for the position. The Company's Independent Director is one who is independent or any person linked to him is independent from Management, business relationships and substantial shareholder of the Company or any of its affiliates, and has not served on the Board for a continuous period of nine years or longer.

The Board Nominations and Remuneration Committee held a total of fifteen meetings on a combined basis in 2016.

Re-appointment of Directors

All Directors subject themselves for re-appointment and/or re-election upon the expiry of their BNM Appointment Term or by rotation at the Annual General Meeting of the Company pursuant to the Articles of Association, where applicable. The Board Nominations and Remuneration Committee is also responsible to recommend the re-appointment and/or re-election of Directors to the Board, taking into account the comprehensive evaluation of the Directors in addition to the Directors' attendance at meetings, their expertise, knowledge, commitment, and contributions to Board discussions and to the overall effectiveness of the Board.

STATEMENT OF CORPORATE GOVERNANCE

PROCESS FOR APPOINTMENT OF NEW DIRECTORS (CONTINUED)

BOARD NOMINATIONS AND REMUNERATION COMMITTEE (CONTINUED)

Board Orientation and Training

A formal appointment letter will be issued to every new Director. Newly-appointed Directors will be apprised of their statutory duties and obligations and issued with a Director's orientation kit which will include key information on the Company, the terms of reference of the Board and Board Committees, duties and obligations of Directors as well as relevant rules and regulations. As part of the induction programme for new Directors, the Senior Management will brief new Directors on the Company's principal activities and the induction programme will be tailored to the specific development needs of the new Directors. The Company constantly reviews and improves on the contents of such briefings to new Directors to take into account any new legislative changes which affect the Directors and to enable them to have a more comprehensive understanding of the Company.

The Board Nominations and Remuneration Committee ensures there is a continuous professional development programme for all Directors, to ensure that they are equipped with the appropriate skills and knowledge to perform their roles on the Board and Board Committees effectively. The Directors are continually updated on developments affecting the insurance industry. From time to time, the Company organises talks, seminars or presentations by external professionals, consultants or Management on topics relevant to the insurance industry and provides updates on developments in the industry locally. Industry-related and topical articles are regularly circulated to Directors as part of the Company's continuous development programme for Directors. Directors may also attend appropriate courses, conferences and seminars conducted by professional bodies within the industry or other professional organisations including programmes conducted by the FIDE Forum, where relevant. The Company has dedicated sufficient resources towards the on-going development of its directors.

During the financial year, the Directors, collectively or on their own, attended seminars, courses and briefing organized by professional bodies and regulatory authorities as well as those conducted in-house, included the following:

- FIDE FORUM Industry Briefing
- Leaders Room Talk by David Nour
- Dialogue with SMT of BNM – Focus Group 2 (For Insurance, Takaful, Reinsurance Businesses)
- Cyber-Risk Oversight by Mr David Leach
- Briefing Session on BNM Annual Report 2015 / Financial Stability and Payment System Report 2015
- 3rd BNM – FIDE FORUM Annual Dialogue with the Governor of BNM
- BNM – FIDE FORUM Dialogue with the Deputy Governor of BNM on the Corporate Governance Paper
- Responsible Financial Summit 2016
- Launch of Directors Register
- Internal Capital Adequacy Assessment Process (ICAAP) Insurance
- FIDE FORUM: 2nd Distinguished Board Leadership – “Avoiding Financial Myopia”
- FIDE FORUM's Director Register: “Identify the Right Board Talent”
- FIDE Elective Programme: Cybersecurity Programme – Understanding the Evolving Cybersecurity Landscape
- Future Finance Conference at BNM
- Securities Commission – FIDE FORUM Dialogue: FinTech's Impact on Financial Institutions
- The Evolving Role of Audit Committee in Governance, Risk & Control Forum
- Omniboard Training for Directors
- Discussion on BNM Concept Paper on Corporate Governance
- Board Educational Series: An Overview of Reserving
- Board Educational Series: Project Asset Liability Management / Investment Management / Fund Transfer Pricing & Discussion on 2017 Strategic Asset Allocation

STATEMENT OF CORPORATE GOVERNANCE

BOARD PERFORMANCE

The Board has an annual performance evaluation process, carried out by the Board Nominations and Remuneration Committee, to assess the effectiveness of the Board, Board Committees and each Director's contributions. This annual assessment process consists principally of evaluation by and feedback from each Director.

Directors are expected to set aside adequate time for their oversight of matters relating to the Company. The Company has established guidelines on meeting attendance and the extent of other appointments outside the Company that a Director may assume. Generally, a Director who has full-time employment in any organisation shall have appointments in no more than three listed companies and fifteen unlisted companies, while a Director who does not have any full-time employment shall have appointments in no more than six listed companies and fifteen unlisted companies. The Board Nominations and Remuneration Committee annually assesses each Director's attendance record and degree of participation at meetings.

Senior Management Appointment and Performance

The Board Nominations and Remuneration Committee also recommends and assesses the nominee for the position of CEO and re-appointment of CEO as well as oversees the appointment and succession planning of the Senior Officers ("SOs") of the Company.

The Board Nominations and Remuneration Committee is responsible to oversee performance evaluation of CEO and SOs. Whenever applicable and consistent with the prescribed internal Remuneration Framework, the Board Nominations and Remuneration Committee's recommendations on the CEO and SOs would be made in consultation with the input from the Chairman of the Board Audit Committee and Board Risk Management Committee.

The Board Nominations and Remuneration Committee is also responsible to ensure all Key Responsible Persons ("KRPs") fulfil the fit and proper requirements, in line with the Fit and Proper Policy for KRPs.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION

The Board Nominations and Remuneration Committee ensures that the Company implements formal and transparent procedures for developing policies on executive remuneration and for determining the remuneration packages of individual Directors and SOs and Non-SOs.

The Board Nominations and Remuneration Committee is responsible to recommend to the Board Policy on Remuneration for Directors, CEO and SOs. The Board Nominations and Remuneration Committee is charged with the responsibility of reviewing and recommending to the Board, the remuneration packages of Directors, the CEO and SOs. This will ensure that the Company remains competitive in terms of compensation and is able to attract, retain and motivate the calibre needed to manage the Company successfully, while at the same time satisfying itself that the compensation packages are not excessive and consistent with the prudent management of the Company's affairs.

Remuneration of Non-Executive Directors

The Non-Executive Directors are paid Directors' fees, which take into account factors such as the Directors' contributions, effort and time spent, attendance at and frequency of meetings, the respective responsibilities of the Directors including the Board Committees on which they serve, market practices and the need to pay competitive fees to attract, retain and motivate Directors. No Director is involved in deciding his own remuneration.

The Board Nominations and Remuneration Committee performs an annual review of the fee structure for Directors' fees and of the computation of the aggregate Directors' fees based on the Board-approved fee structure. The Directors' fees proposed by the Board each year are subject to the shareholders' approval at the Company's Annual General Meeting.

STATEMENT OF CORPORATE GOVERNANCE

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)

Remuneration of Non-Executive Directors (continued)

The Board has considered the market practices for Non-Executive Director remuneration, and has decided to use the same fee structure for computing the fee for each Non-Executive Director for the financial year ended 31 December 2016 ("FY2016") as that used in the previous financial year:

		Annual Retainer
Board	Chairman	RM130,000
	Member	RM65,000
Board Committee	Chairman:	RM50,900
	• Board Audit Committee	
	• Board Risk Management Committee	
	Chairman:	RM60,000 ⁽¹⁾
	• Board Nominations and Remuneration Committee	
	Member:	RM25,400
	• Board Audit Committee	
	• Board Risk Management Committee	
	Member:	RM36,000 ⁽¹⁾
	• Board Nominations and Remuneration Committee	
Attendance fees per Board or Board Committee meeting		RM2,600

Note:

⁽¹⁾ The amount was combined for FY2016.

The attendance fee is paid to Non-Executive Directors to recognise their commitment, contribution, and time spent in attending meetings.

Disclosure of Directors' and CEO Remuneration

The total Directors' Remuneration from the Company in respect of FY2016 is shown under Note 24(b) in the Company's Financial Statements. Fees for Non-Executive Directors totaling RM1,157,425.00 in respect of FY2016 will be approved at the forthcoming Annual General Meeting of the Company. The Directors' and CEO's Remuneration for FY2016 are disclosed under Note 24(b) in the Company's Financial Statements.

Remuneration policy in respect of executive Director and Officers of the Company

The objective of the Company's remuneration policy is to attract, motivate, reward and retain quality personnel. The remuneration policy is approved by the Board and is subject to annual review taking into account changes in the remuneration practices and/or regulator's requirements from time to time.

The remuneration of the CEO and the respective SOs of the Company are reviewed annually by the Board Nominations and Remuneration Committee, based on the overall remuneration framework approved by the Board. SOs comprises the Senior Management Team and such other executives as the Board of Directors and/or regulator should determine. Currently, there are fifteen identified SOs.

STATEMENT OF CORPORATE GOVERNANCE

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)

Remuneration policy in respect of executive Director and Officers of the Company (continued)

Staff engaged in all control functions including Compliance, Risk, Actuarial, Audit and others do not carry business profit targets in their goal sheets and hence are compensated independent of the business profit achievements. Their compensation is dependent on the achievement of key results in their respective domain.

In another key segment of officers, Other Material Risk Takers (“OMRT”) in the Company has been identified as an officer who is not a member of senior management who can materially commit or control significant amounts of the Company’s resources or whose actions are likely to have a significant impact on its risk profile. There are five identified OMRTs and they are subject to risk control KPI and risk adjusted variable compensation commencing from 2017.

The basic component of the remuneration package comprises a monthly basic salary. The variable components have been designed to link rewards to corporate and individual performance, based on appropriate and meaningful performance measures set up by the Company, and approved by the Board Nominations and Remuneration Committee and the Board. Such components comprise a performance-based variable bonus and long-term incentives, which are generally paid/awarded once a year. SOs are subject to an additional performance measurement approach by embedding corporate governance indicator for more prudent risk taking.

In awarding long-term incentives, including the grant of share options to the SOs, the Board Nominations and Remuneration Committee also takes into account their potential for future development and contribution to the Company.

In such annual remuneration reviews, the Board Nominations and Remuneration Committee takes into consideration factors such as market competitiveness and market benchmark, and that the remuneration commensurate with individual performance and contribution. The Board Nominations and Remuneration Committee also takes into account the time horizon of risks, such as ensuring that variable compensation payments shall not be finalised over short periods when risks are realised over long periods.

The annual budget for salary increment, performance-related variable bonus and long-term incentives, reviewed by the Board Nominations and Remuneration Committee is submitted to the Board for approval. The competitiveness of the Company’s compensation structure is reviewed annually relative to a peer group of companies that is considered to be relevant for compensation purposes to ensure continued appropriateness. The review is done through comparison to data source from various remuneration surveys conducted independently by remuneration consultants.

As a consequence of the financial crisis in recent years, financial institutions globally have been reviewing compensation practices to reduce incentives that encourage excessive risk taking. While the Company has compensation practices that take into account the principles and implementation standards issued by the Financial Stability Forum for Sound Compensation Practices, it continues to review its compensation practices on an ongoing basis to further ensure that decisions made are conducive to sustain business performance. In its deliberations, the Board Nominations and Remuneration Committee also takes into account the remuneration principles, practices and standards issued by the regulator from time to time.

In collaboration with the Board Nominations and Remuneration Committee, the Company Remuneration Practice Guide is designed taking into account regulatory requirements, from time to time, with the input from the Senior Management. The Remuneration Practice Guide is independently reviewed by the Internal Audit and Risk Management & Compliance Departments. The Board Risk Management Committee may with the assistance of Risk Management Department assess how the remuneration practice guide affects the Company’s risk profile.

The Company’s variable compensation varies in line with its financial performance and the meeting of corporate governance requirements.

STATEMENT OF CORPORATE GOVERNANCE

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE ON REMUNERATION (CONTINUED)

Remuneration policy in respect of executive Director and Officers of the Company (continued)

The Company does not have any share option scheme or share plan in place. Instead, the Company's ultimate holding company, OCBC Bank, grants share options pursuant to the OCBC Share Option Scheme 2001 and awards shares pursuant to the OCBC Deferred Share Plan to selected senior executives of the Group.

Details of the remuneration granted to the eligible executives are disclosed in table below. A significant proportion of a SOs' compensation may be deferred under deferral arrangements over a period of years and the deferred amount increases with the seniority/rank and bonus amount.

Total value of remuneration awards for the financial year are as follows:

	Unrestricted		Deferred	
	No. of pax	RM	No. of pax	Units
Fixed remuneration				
- Cash-based	-	9,088,238	-	-
- Other	-	172,000	-	-
Variable remuneration				
- Cash-based	14	2,796,268	13	154,118 units (Deferred Share, Share Option and Employee Share Purchase Plan (ESPP))
- Shares and share-linked instruments	8	774,127		
- Other*	16	1,825,281	-	-

*Include Senior Officers ("SO") and Head of Compliance.

ACCESS TO INFORMATION

The Board members are provided with relevant and timely information by Management on matters to be discussed or considered at meetings of the Board and Board Committees. In respect of matters for approval, information furnished by Management usually includes background explanatory information, relevant facts and/or analysis to support the proposal, implications or merits of the case, risk analysis and mitigating strategies, the budget (if applicable) and Management's recommendation. The Senior Management who can provide additional information and insight or provide clarifications to queries raised are usually present at the meeting during discussion on such matters. Occasionally, external consultants engaged on specific projects may also be invited to brief the Board or Board Committees, where relevant. All Board and Board Committees' members have unfettered access to information which the Company is in possession of or has access to, for the purpose of carrying out their responsibilities.

Directors have separate and independent access to the Company Secretary and to Senior Management of the Company at all times.

The Company Secretary attends all Board meetings and prepares minutes of Board proceedings. She assists the Chairman to ensure that appropriate Board procedures are followed and that applicable regulations are complied with. Under the direction of the Chairman, she ensures good information flows within the Board and Board Committees and between Senior Management and Non-Executive Directors. The Company Secretary also facilitates the orientation of new Directors and professional development of Directors as required. The appointment and removal of Company Secretary is considered to be a matter for the Board as a whole.

STATEMENT OF CORPORATE GOVERNANCE

ACCESS TO INFORMATION (CONTINUED)

The Director may take independent professional advice as and when necessary to enable them to discharge their duties effectively, at the expense of the Company. Similarly, the Board and each Board Committee may obtain the professional advice that it requires to assist in its work.

BOARD AUDIT COMMITTEE

The Board Audit Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Audit Committee comprises the following Directors:

- Y Bhg Datuk Kamaruddin bin Taib, Chairman
- Y Bhg Dato' Yeoh Beow Tit, Member
- Madam Tan Fong Sang, Member

(Mr Norman Ip relinquished his membership on 10 March 2017.)

The Company has instituted a whistle-blowing policy whereby staff of the Company may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Board Audit Committee would be updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith. The Board Audit Committee Chairman is responsible for the effective implementation of the whistle-blowing policy which includes evaluating periodic reports that monitor and assess how concerns are escalated and dealt with, and overseeing periodic review of the effectiveness of the policy.

The Board Audit Committee has explicit authority to investigate any matters within its terms of reference and has full co-operation of and access to Management. The Board Audit Committee has full discretion to invite any Director or Senior Management to attend its meetings. It has resources to enable it to discharge its function properly.

The Board Audit Committee held a total of seven meetings in 2016, and its members' attendance at these meetings is disclosed in herein. The Board Audit Committee meetings were attended by the internal and external auditors, the Group CEO and certain Senior Management, including the Group Chief Financial Officer and Head Group Internal Audit.

The function performed by the Board Audit Committee and details of the Board Audit Committee's activities during FY2016 included the following:

- (a) Reviewed with the Internal Auditors –
 - (i) their audit plans, their evaluation of the system of internal controls and their audit reports;
 - (ii) the scope and results of the internal audits; and
 - (iii) the assistance given by the officers of the Company to the internal auditors.

STATEMENT OF CORPORATE GOVERNANCE

BOARD AUDIT COMMITTEE (CONTINUED)

- (b) Reviewed with the External Auditors –
 - (i) their audit plans prior to the commencement of the annual audit;
 - (ii) the interim financial statements and the audited financial statements of the Company for the financial year and the auditors' report thereon for submission to the Board for consideration and approval thereafter;
 - (iii) the scope and results of the audit procedures and cost effectiveness, and their independence and objectivity taking into consideration factors including the nature and extent of non-audit services provided by them (if any);
 - (iv) the implications and impact of new or proposed changes in financial reporting standards, accounting policies and regulatory requirements on the financial statements together with the Senior Management Team;
 - (v) any significant financial reporting issues, to ensure the integrity of the financial statements of the Company; and
 - (vi) the assistance given by the officers of the Company, including the internal auditors, to the external auditors.
- (c) Reviewed the findings of the internal and external auditors on their reviews of the adequacy and effectiveness of the internal controls of the Company, including financial, operational, compliance and information technology controls and systems established by Management.
- (d) Reviewed the effectiveness of the internal audit functions of the Company.
- (e) Maintained an appropriate relationship with both the external auditors and internal auditors, and met at least annually with the Management, external auditors and internal auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately.
- (f) Reviewed and approved among others, the appointment, remuneration and performance evaluation of the Chief Internal Auditor.
- (g) Made recommendation to the Board on the re-appointment of the external auditor and their remuneration and terms of engagement.
- (h) Reviewed and updated the Board on all related-party transactions, as well as reviewed the write-off of material and special related-party transaction and recommended to the Board for approval.
- (i) Monitored compliance with the Directors' Conflict of Interest Guide.

The Company has also instituted a whistle-blowing policy whereby staff of the Company may raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Concerns expressed anonymously will be considered and investigated on the basis of their merits. The Board Audit Committee ensures that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. If fraud is determined, appropriate remedial action will be taken and the Board Audit Committee would be updated regularly on its status. The whistle-blower will have protection against reprisals provided he has acted in good faith.

The Company has implemented policies and procedures on related party transactions covering the definitions of relatedness, limits applied, terms of transactions, and the authorities and procedures for approving and monitoring such transactions. All related party transactions are conducted on reasonable commercial terms and in the ordinary course of business. The terms and conditions of such transactions are carried out on an arm's length basis. Directors with conflict of interest are excluded from the approval process of granting and managing related party transactions. Material related party transactions are reported to the Board Audit Committee for review and to the Board for approval. Details of the Company's related party transactions during FY2016 are set out in Note 31 of the Notes to the Financial Statements.

The Company has processes in place to address the Directors' actual and/or potential conflicts of interest for transactions with the Company.

STATEMENT OF CORPORATE GOVERNANCE

BOARD AUDIT COMMITTEE (CONTINUED)

The Board Audit Committee, in performing its functions, met at least annually with the internal and external auditors in separate sessions without the presence of Management, to consider any other matters which may be raised privately. The auditors, both internal and external, have unrestricted access to the Board Audit Committee, and to information and such persons within the Company as necessary to conduct the audit.

INTERNAL AUDIT

The internal audit function (“Internal Audit”) serves to provide the Board and Management with independent and objective assessments of the adequacy and effectiveness of the governance, risk management and internal control processes as designed and implemented by Management. The Internal Audit Charter is approved by the Board Audit Committee. Internal Audit resides in-house and is independent of the activities it audits.

Internal Audit adopts a risk-based approach where audit work is prioritised and scoped according to an assessment of risk exposures, which include financial, strategic, reputational, operational, technology, legal and regulatory risks. The work undertaken by Internal Audit involves the assessment of the adequacy and effectiveness of the Company’s risk management and internal control environment, including ascertaining if the internal controls are sufficient in ensuring that significant financial, managerial and operating information is accurate, reliable and timely, operations and programs are effective and efficient, and assets are safeguarded. Reviews conducted by Internal Audit also focus on the Company’s compliance with relevant laws and regulations, adherence to established policies and whether Management has taken appropriate measures to address control deficiencies.

BOARD RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee is required to comprise at least three Non-Executive Directors, with a majority of Independent Directors and be chaired by an Independent Director.

The Board Risk Management Committee comprises the following Directors:

- Mr Ng Hon Soon, Chairman
- Y Bhg Dato’ Yeoh Beow Tit, Member
- Madam Tan Fong Sang, Member

(Y Bhg Datuk Kamaruddin bin Taib relinquished his membership on 10 March 2017.)

The Board Risk Management Committee is responsible for the oversight of market, credit, liquidity, insurance, operational, technology, regulatory and compliance risks to manage the financial and reputational impact arising from these risks. It reviews the overall risk management philosophy, including, the risk profile, risk tolerance level, and risk and capital management strategy, guided by the overall corporate strategy and risk appetite as set and approved by the Board. The Board Risk Management Committee also assists the Board in monitoring the effectiveness and adequacy of the risk management processes and systems set up by the Company.

The Board Risk Management Committee performs its functions pursuant to its Board-approved written terms of reference. Such terms of reference include the review and endorsement or review and approval of (where applicable) frameworks, policies, charters and strategies for effective risk management, investment management and asset-liability management. The terms of reference also include the review of major risk management initiatives, significant investment, property and other financial transactions that exceed the authorisation limits of the Management Committees that the Board Risk Management Committee oversees. Material investment-related activities and transactions are reviewed by the Board Risk Management Committee and recommended to the Board for information or approval, as applicable.

STATEMENT OF CORPORATE GOVERNANCE

BOARD RISK MANAGEMENT COMMITTEE (CONTINUED)

The Board Risk Management Committee endorses the appointment and annual performance evaluation and remuneration of the Chief Risk Officer, who reports directly to the Board Risk Management Committee and the CEO.

The Risk Management Department has adequate resources and is staffed by experienced and qualified employees who are sufficiently independent to perform their duties objectively. The Risk Management Department regularly engages Senior Management to develop enterprise-wide risk controls and risk mitigation procedures.

The Board Risk Management Committee held a total of seven meetings in 2016.

The Company's enterprise risk governance, risk management objectives and policies and other pertinent details are disclosed in Note 33 to the Financial Statements.

INTERNAL CONTROL FRAMEWORK

The Board has overall oversight responsibility to ensure that the Company maintains an adequate system of internal controls and that the Company has effective and efficient operations, risk management and internal controls, as well as procedures to ensure compliance with laws, regulations, internal guidelines and requirements to safeguard the assets of the Company and the stakeholders' interests.

The system of internal controls provides reasonable but not absolute assurance that the Company would not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, it is noted that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

The internal control framework comprises among others, the infrastructure in the form of risk oversight committees at the Board and Management level; frameworks, policies and procedures; risk and compliance self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their systems of internal controls and their level of compliance with applicable rules and regulations; and a monitoring and reporting process.

Infrastructure

While the Board is ultimately responsible for the management of risks within the Company, several risk oversight committees have been established over the years to facilitate in depth review of the risks associated with specific aspects of the business such as the Board Risk Management Committee, the Senior Management Team, the Asset Liability Committee, the Information Technology Steering Committee and the Product Development Committee. The duties and scope of work of these committees are documented in their respective terms of reference.

The authority delegated by the Board to the Board Committees and the CEO are formalized in the Company's Authority Grid. There are other documents that guide on the delegation of the CEO's authority such as underwriting limits, claim limits and investment limits.

The segregation of duties is paramount in ensuring that members of staff are not assigned with potential conflicting responsibilities, relating to, among others, approvals, disbursements and administration of policies, execution and recording of investment matters, operational and internal audit/compliance functions, underwriting and credit control.

Frameworks, Policies and Procedures

The Company has established risk management frameworks that set forth the means by which the Company shall evaluate and manage the risks inherent in the business. The frameworks outline the common risk management process across all risk types within the Company.

STATEMENT OF CORPORATE GOVERNANCE

INTERNAL CONTROL FRAMEWORK (CONTINUED)

Frameworks, Policies and Procedures (continued)

A number of policies and procedures have also been put in place to guide and facilitate consistency in application across the board. These cover key areas of risk such as:

- Investments
- Insurance operations
- Information technology and information security
- Fraud and market conduct
- Anti-money laundering and countering the financing of terrorism
- Capital management, capital contingency and stress testing
- Related party and interested party transactions
- Outsourcing
- Reinsurance management
- Business continuity management

The frameworks, policies and procedures are reviewed each year to ensure continued relevance and to capture the latest regulatory and Group requirements. They are then approved by the relevant Board or Board Committees or Management Committees to formalize their application within the Company.

Self-assessment Process

A mature self-assessment process that is supported by the use of the Risk Control Self-assessment (“RCSA”) and Compliance Requirements Self-assessment (“CRSA”) tools is entrenched in the Company. The results of the assessment are reviewed by the Senior Management, which in turn would provide an annual assurance letter to the CEO on the adequacy and effectiveness of the Company’s operational risk management and internal control systems and compliance with the relevant statutory and regulatory requirements. Commencing from Year 2017, this self-assessment process would be supplemented by an assurance report on risk management and internal controls.

Monitoring and Reporting

An Enterprise Risk Dashboard that features the Company’s risk profile from five perspectives (strategic, financial, operational, technology and compliance) is submitted to the Board, Board Risk Management Committee and Senior Management Team for notation.

Stress test scenarios and the corresponding stress factors are developed and approved by the Board annually and thereafter, the approved scenarios and factors are used to stress the financial positions at least annually.

Regulatory breach and operational incidents are reported in the Enterprise Risk Dashboard while investment breaches are reported via the limits report and compliance examination reports. Respective business units are required to provide the corrective and preventive measures once a regulatory breach or operational incident is discovered. The Company has a process to collate statistics for several Key Risk Indicators for reporting to BNM on a regular basis.

STATEMENT BY DIRECTORS

pursuant to section 251(2) of the Companies Act, 2016

We, Kamaruddin bin Taib and Ng Hon Soon, being two of the Directors of Great Eastern Life Assurance (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 62 to 161 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2016 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 March 2017.

Kamaruddin bin Taib

Ng Hon Soon

STATUTORY DECLARATION

pursuant to section 251(1)(b) of the Companies Act, 2016

I, Koh Yaw Hui, being the officer primarily responsible for the financial management of Great Eastern Life Assurance (Malaysia) Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 62 to 161 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Koh Yaw Hui
at Kuala Lumpur in the Federal Territory
on 22 March 2017

Koh Yaw Hui

Before me,

INDEPENDENT AUDITORS' REPORT

to the member of Great Eastern Life Assurance (Malaysia) Berhad
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Great Eastern Life Assurance (Malaysia) Berhad ("the Company"), which comprise the balance sheet as at 31 December 2016, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 161.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' report, Statement of Corporate Governance and the other information contained in the Annual Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company 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 of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, 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.

INDEPENDENT AUDITORS' REPORT

to the member of Great Eastern Life Assurance (Malaysia) Berhad
(Incorporated in Malaysia)

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are 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 the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company 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 approved standards on auditing in Malaysia and International Standards on Auditing 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 approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Company, 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 control.
- Obtain an understanding of internal control 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 of the Company 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 of the Company, 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 control that we identify during our audit.

INDEPENDENT AUDITORS' REPORT

to the member of Great Eastern Life Assurance (Malaysia) Berhad
(Incorporated in Malaysia)

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Ernst & Young
AF: 0039
Chartered Accountants

Brandon Bruce Sta Maria
No. 2937/09/17(J)
Chartered Accountant

Kuala Lumpur, Malaysia
22 March 2017

BALANCE SHEET

as at 31 December 2016

	Note	2016 RM'000	2015 RM'000
Assets			
Property and equipment	3	445,405	449,940
Investment properties	4	603,810	601,810
Prepaid land lease payments	5	16,528	16,666
Investments	6	70,204,256	67,630,872
Reinsurance assets	7	83,683	100,985
Insurance receivables	8	270,358	268,250
Other receivables	9	1,258,697	807,197
Cash and bank balances		63,245	186,861
Total assets		72,945,982	70,062,581
Equity			
Share capital	10	100,000	100,000
Retained earnings		1,692,582	1,644,771
Available-for-sale fair value reserves		9,807	21,843
Total equity		1,802,389	1,766,614
Liabilities			
Insurance contract liabilities	11	68,555,859	65,462,222
Derivatives	12	285,082	413,626
Agents' retirement benefits	13	813,130	760,436
Deferred tax liabilities	14	523,135	526,076
Other financial liabilities	15	51,385	207,063
Insurance payables	16	224,879	224,667
Provision for taxation		95,395	79,729
Other payables	17	594,728	622,148
Total liabilities		71,143,593	68,295,967
Total equity and liabilities		72,945,982	70,062,581

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

INCOME STATEMENT

for the year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Gross earned premiums	18(a)	7,260,678	7,017,546
Earned premiums ceded to reinsurers	18(b)	(150,704)	(142,724)
Net earned premiums		7,109,974	6,874,822
Investment income	19	2,899,084	2,808,796
Realised gains and losses	20	221,943	28,341
Fair value gains and losses	21	385,670	16,968
Decrease/(increase) in provision for impairment of:			
Insurance receivables	8	2,858	2,393
Other receivables	9	(243)	(271)
Quoted investments	6	(211,353)	(265,256)
Fees and commission income	22	16,508	16,616
Other operating revenue		103,311	113,714
Other revenue		3,417,778	2,721,301
Gross benefits and claims paid	23(a)	(5,180,021)	(4,924,767)
Claims ceded to reinsurers	23(b)	69,004	68,160
Gross change in contract liabilities	23(c)	(2,683,103)	(2,299,654)
Change in contract liabilities ceded to reinsurers	23(d)	10,905	(2,936)
Net benefits and claims		(7,783,215)	(7,159,197)
Fees and commission expense		(1,030,291)	(949,151)
Management expenses	24	(541,753)	(493,824)
Other operating expenses		(3,087)	(241)
Taxation of life insurance business	25(a)	(221,491)	(144,680)
Other expenses		(1,796,622)	(1,587,896)
Profit before taxation		947,915	849,030
Taxation	25(b)	(177,104)	(160,033)
Net profit for the year		770,811	688,997
Earnings per share (sen)			
Basic and diluted	26	771	689

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

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2016

	2016 RM'000	2015 RM'000
Net profit for the year	770,811	688,997
Other comprehensive (loss)/income:		
Other comprehensive (loss)/income to be reclassified to income statement in subsequent periods:		
Available-for-sale fair value reserves:		
Net gain arising during the year	2,584	6,068
Net realised (gain)/loss transferred to Income Statement	(23,203)	1,096
Impairment losses transferred to the Income Statement	4,854	14,495
	(15,765)	21,659
Tax effects thereon (Note 14)	3,729	(5,077)
	(12,036)	16,582
Total comprehensive income for the year	758,775	705,579

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

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

		Non-Distributable			Distributable			
	Share Capital	Available-for-sale Fair Value Reserves			Retained Earnings			Total Equity
	RM'000	Non-participating Fund RM'000	Shareholder's Fund RM'000	Sub-total RM'000	Non-participating Fund* RM'000	Shareholder's Fund RM'000	Sub-total RM'000	RM'000
At 1 January 2015	100,000	8,698	(3,437)	5,261	402,554	1,065,220	1,467,774	1,573,035
Net profit for the year	-	-	-	-	486,903	202,094	688,997	688,997
Other comprehensive income for the year	-	10,613	5,969	16,582	-	-	-	16,582
Total comprehensive income for the year	-	10,613	5,969	16,582	486,903	202,094	688,997	705,579
Transfer from non-participating fund as recommended by Appointed Actuary (net of tax)	-	-	-	-	(447,750)	447,750	-	-
Dividends paid during the year (Note 27)	-	-	-	-	-	(512,000)	(512,000)	(512,000)
At 31 December 2015	100,000	19,311	2,532	21,843	441,707	1,203,064	1,644,771	1,766,614
At 1 January 2016	100,000	19,311	2,532	21,843	441,707	1,203,064	1,644,771	1,766,614
Net profit for the year	-	-	-	-	555,195	215,616	770,811	770,811
Other comprehensive (loss)/income for the year	-	(12,752)	716	(12,036)	-	-	-	(12,036)
Total comprehensive (loss)/income for the year	-	(12,752)	716	(12,036)	555,195	215,616	770,811	758,775
Transfer from non-participating fund as recommended by Appointed Actuary (net of tax)	-	-	-	-	(463,408)	463,408	-	-
Dividends paid during the year (Note 27)	-	-	-	-	-	(723,000)	(723,000)	(723,000)
At 31 December 2016	100,000	6,559	3,248	9,807	533,494	1,159,088	1,692,582	1,802,389

* The non-distributable retained earnings represent the unallocated surplus from the Non-participating Funds. In accordance with Section 83 *Withdrawal from insurance funds* of the Financial Services Act, 2013, the unallocated surplus of Non-participating Funds is only available for distribution to the shareholder upon approval/recommendation by the Appointed Actuary.

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

CASH FLOW STATEMENT

for the year ended 31 December 2016

	Note	2016 RM'000	2015 RM'000
Operating Activities			
Cash used in operating activities	28	(1,799,420)	(1,848,885)
Dividend/distribution income received		560,130	568,011
Interest/profit income received		2,297,696	2,201,864
Rental income on investment properties received		63,343	62,796
Agents' retirement benefits paid	13	(37,155)	(35,878)
Income tax paid		(353,294)	(368,181)
Net cash flow generated from operating activities		731,300	579,727
Investing Activities			
Proceeds from disposal of property and equipment		17	4
Purchase of property and equipment	3	(59,327)	(54,028)
Purchase of investment properties	4	-	(320)
Net cash flows used in investing activities		(59,310)	(54,344)
Financing Activity			
Dividends paid to equity holder		(723,000)	(512,000)
Net cash flows used in financing activity		(723,000)	(512,000)
Net (decrease)/increase in cash and cash equivalents		(51,010)	13,383
Cash and cash equivalents at beginning of year		2,315,042	2,301,659
Cash and cash equivalents at end of year		2,264,032	2,315,042
Cash and cash equivalents comprise of:			
Cash and bank balances		63,245	186,861
Short term deposits with original maturity periods of less than 3 months	6(a)	2,200,787	2,128,181
		2,264,032	2,315,042

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 20, Menara Great Eastern, 303 Jalan Ampang, 50450 Kuala Lumpur.

The principal activity of the Company is the underwriting of life insurance business including investment-linked business.

There has been no significant change in the principal activity during the financial year.

The immediate holding company is Great Eastern Capital (Malaysia) Sdn Bhd, a company incorporated in Malaysia. The intermediate holding company is Great Eastern Life Assurance Company Limited, a company incorporated in the Republic of Singapore. The ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), a public-listed company incorporated in the Republic of Singapore.

The financial statements are authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 22 March 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The Companies Act 2016 ("New Act") was enacted to replace the Companies Act 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representatives) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Company upon the commencement of the New Act on 31 January 2017 are:

- (a) Removal of the authorised share capital; and
- (b) Shares of the Company will cease to have par or nominal value.

The adoption of the New Act is not expected to have any financial impact on the Company for the current financial year as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Company for the financial year ending 31 December 2017.

At the beginning of the current financial year, the Company had adopted the amended MFRSs and new MFRSs as described fully in Note 2.3.

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

The Company has met the minimum capital requirements as prescribed by the RBC Framework as at the balance sheet date.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Property and Equipment and Depreciation

Property and equipment are stated at cost less accumulated depreciation and impairment losses. The initial cost of property and equipment comprises its purchase price, including non-refundable taxes and any costs to enhance the working condition of the asset for its intended use.

Expenditure incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement in the period in which the costs are incurred. Where the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as an additional cost of property and equipment.

Depreciation of property and equipment is calculated on a straight-line basis to write off the cost of each amount to its residual value over its estimated useful life. No depreciation is provided for freehold land as it has an unlimited useful life and capital work in progress as it is not ready for active use. The annual depreciation rates are:

Buildings - Owner occupied properties	2 %
Motor vehicles	20 %
Office machinery	6 - 20 %
Office furniture and fittings	10 %
Computer equipment	10 - 33 %

Leasehold buildings are depreciated over their estimated useful lives or over the remaining lease term of the leasehold land on which the building resides, if the remaining lease term of the leasehold land is shorter than the estimated useful life of the building.

Software costs refers to the life assurance administration system and the distribution channel management system. These costs are classified as part of property and equipment and depreciated over a period of 10 years on a straight line basis from the date of system commissioning.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal are determined by comparing proceeds with the carrying amounts and are included in the income statement.

Included in the Life Insurance Fund's property and equipment are freehold land, and leasehold and freehold buildings occupied for own use for the operations of the Company. Leasehold land are classified as prepaid lease payments as described in Note 2.2(c).

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties and is performed by registered independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued.

Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year in which they arise.

(c) Leases

(i) Classification

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

(ii) Finance Leases - the Company as Lessee

Useful lives of all leasehold buildings are shorter than the lease term of the leasehold land on which the buildings are located. As such, all risks and rewards incidental to the ownership of such assets would be deemed to have been substantially transferred to the Company at the end of their useful lives. All leasehold buildings are therefore classified as finance lease in the financial statements.

Buildings held under finance leases are recognised as assets in the Balance Sheet of the Company and measured in accordance with MFRS 116 - Property, Plant and Equipment and MFRS 140 - Investment Properties.

The depreciation policy for leased assets is in accordance with that for depreciable property and equipment as described in Note 2.2(a) and investment properties as described in Note 2.2(b).

(iii) Operating Leases - the Company as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Leases (continued)

(iii) Operating Leases - the Company as Lessee (continued)

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term. Long term prepaid lease payments refer to leases with an unexpired period of fifty years or more.

(iv) Operating Leases - the Company as Lessor

Assets leased out under operating leases are presented on the balance sheet according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease (Note 2.2(o)). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis on the lease term.

(d) Investments and Financial Assets

The Company classifies its investments into financial assets at fair value through profit or loss ("FVTPL"), loans and other receivables ("LAR") and available-for-sale ("AFS") financial assets. The classification depends on the purpose for which the investments were acquired or originated.

Financial assets are classified as FVTPL where the Company's documented investment strategy is to manage financial assets on a fair value basis, because the related liabilities are also managed on this basis.

The AFS category is used when the relevant liabilities (including shareholder's funds) are passively managed and/or carried at amortised cost. All regular way purchases and sales of financial assets are recognised on the trade date which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the period generally established by regulation or convention in the market place.

(i) FVTPL

Assets stated at FVTPL include financial assets held for trading and those designated at FVTPL at inception. Investments typically bought with the intention to sell in the near future are classified as FVTPL.

For investments designated at FVTPL, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment such as asset liability mismatch, that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Investments and Financial Assets (continued)

(i) FVTPL (continued)

Financial assets classified as FVTPL include fixed income securities, derivatives and embedded derivatives.

Investments under unit-linked funds are designated as FVTPL at inception as they are managed and evaluated on a fair value basis in accordance with the respective investment strategy and mandate.

Derivatives are financial instruments or contracts where its values vary according to changes in interest rate, foreign exchange rate, credit spread or other variables. Embedded derivatives are hybrid financial instruments that include a non-derivative host contract.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are remeasured at fair value. Fair value adjustments and realised gains and losses are recognised in the income statement.

(ii) LAR

LAR are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

These investments are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

After initial measurement, loans and receivables are measured at amortised cost, using the effective yield method, less allowance for impairment. Gains and losses are recognised in the income statement when the assets are derecognised or impaired, as well as through the amortisation process.

(iii) AFS Financial Assets

AFS are non-derivative financial assets not classified in any of the preceding asset categories.

After initial recognition, AFS are remeasured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in the fair value reserve in the Statement of Comprehensive Income or Insurance Contract Liabilities (for Participating Fund only), except for impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method, which are recognised in the income statement. The cumulative gain or loss previously recognised in equity is recognised in the income statement when the financial asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using effective interest method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recognised in the income statement using the same process adopted for financial assets carried at amortised cost as described in Note 2.2(i). Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.2(j) have been met.

(f) Derivatives

The Company uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(g) Financial Liabilities and Insurance Payables

Financial liabilities and insurance payables within the scope of MFRS 139 and MFRS 4 respectively are recognised on the balance sheet when the Company becomes a party to the contractual obligations of the financial instrument.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities held for trading include derivatives entered into by the Company that do not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains and losses recognised in the income statement. Net gains or losses on derivatives include exchange differences.

The Company has not designated any financial liabilities as at FVTPL.

(ii) Other financial liabilities

Other financial liabilities are recognised when due and measured on initial recognition at the fair value of the consideration received plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Gains or losses are recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Fair Value Measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 6 (a).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable including quotes from brokers and market makers, discounted cash flows and other valuation techniques commonly used by market participants
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as properties. Involvement of external valuers is decided upon annually by the Properties Department. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. A valuation is done on an annual basis.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Fair Value Measurement (continued)

At each reporting date, Finance and Property Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies.

The Property Department and the Company's external valuers also compares the changes in the fair value of each property with relevant external sources to determine whether the change is reasonable.

The valuation results, as performed by the Company's external valuers, are presented to the Board in the year the valuation is performed.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(i) Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Objective evidence that a financial asset is impaired includes observable data about loss events like significant financial difficulty of the issuer or obligor; significant adverse changes in the business environment in which the issuer or obligor operates and the disappearance of an active market for that financial asset because of financial difficulties which indicate that there is measurable decrease in the estimated future cash flows. However, it may not be possible to identify a single, discrete event that caused the impairment. Rather, the combined effect of several events is considered in determining whether an asset is impaired.

(i) Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate/yield. The carrying amount of the asset is reduced and the loss is recorded in the income statement.

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

(ii) Assets Carried at Cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the carrying amount will be written down to the recoverable amount. Such impairment losses are not reversed in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Financial Assets (continued)

(iii) AFS Financial Assets

If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income to the income statement. Reversals in respect of equity instruments are not recognised in the income statement. Reversals of impairment losses on debt instruments classified as AFS are reversed through the income statement if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

Impairment for equity instrument is provided immediately upon meeting the significant or prolonged criteria in compliance with MFRS 139.

(j) Derecognition of Financial Assets and Liabilities

A financial asset is derecognised when:

- The contractual right to receive cash flows from the financial asset has expired.
- The Company retains the contractual rights to receive cash flows from the asset but has assumed an obligation to pay them in full without material delay to a third party.
- The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed) and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Derecognition of Financial Assets and Liabilities (continued)

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(k) Impairment of Non-Financial Assets

The carrying amount of non-financial assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. The recoverable amount is the higher of the net realisable value and the value in use, which is measured by reference to discounted cash flows. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash-generating unit.

An impairment loss is recognised in the income statement in the period in which it arises. Subsequent increases in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. A reversal of impairment loss is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(l) Insurance Contract

(i) Product Classification

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by considering whether upon the insured event the Company is required to pay additional benefits.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Insurance Contract (continued)

(i) Product Classification (continued)

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

- (i) Likely to be a significant portion of the total contractual benefits.
- (ii) The amount or timing is contractually at the discretion of the issuer.
- (iii) That are contractually based on:
 - The performance of a specified pool of contracts or a specified type of contract
 - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer
 - The profit or loss of the company, fund or other entity that issues the contract

Surpluses in the DPF funds can be distributed on an approximate 90/10 basis in accordance with BNM's guidelines Management of Insurance Funds to the policyholders and the shareholder respectively. The Company has the discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contracts with DPF, bifurcation is required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

For the purpose of product classification, the Company adopts maximum policy benefits as the proxy for insurance risk and cash surrender value as the proxy for realisable value of the insurance contract on surrender. The Company defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at any point of the insurance contract in force. Based on this definition, all policy contracts issued by the Company are considered insurance contracts as at the date of this balance sheet.

(ii) Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

- (a) Life Assurance fund contract liabilities comprising:
 - Participating Fund contract liabilities;
 - Non Participating Fund contract liabilities; and
 - Investment Linked Fund contract liabilities
- (b) Reinsurance contracts

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Insurance Contract (continued)

(iii) Life Assurance Contract Liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective insurance contracts and are based on regulatory guidelines. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserve as the case may be, are recognised in the income statement of the respective funds.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. The liability is determined as the sum of the present value of future guaranteed and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and expected future management and distribution expenses, less the present value of future gross consideration arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit liabilities of investment-linked policies.

The liability in respect of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policyholders, are set as the liabilities if the accumulated amount is higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company.

Adjustments to the liabilities at each reporting date are recorded in the income statement. Profits originating from margins of adverse deviations on run-off contracts, are recognised in the income statement over the life of the contract, whereas losses are fully recognised in the income statement during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

The Company issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Company to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Company.

For non-participating policy contracts, both insurance and investment risks are transferred from policyholders to the Company. For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical cost incurred upon occurrence of the insured event.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Insurance Contract (continued)

(iii) Life Assurance Contract Liabilities (continued)

Contracts which transfer significant insurance risk alone from policyholders to the Company are commonly known as investment linked policies. As part of the pricing for these contracts, the Company includes certain charges and fees to cover for expenses and insured risk. The net investment returns derived from the variety of investment funds as selected by the policyholder accrue directly to the policyholder.

A significant portion of insurance contracts issued by the Company contain discretionary participating features. These contracts are classified as participating policies. In addition to the guaranteed benefits payable upon occurrence of an insured event associated with human life such as death or disability, the contract entitles the policyholder to receive benefits which could vary according to investment performance of the fund. The Company does not recognise the guaranteed portion separately from the discretionary participating feature.

The valuation of insurance contract liabilities is determined according to BNM's RBC Framework for Insurers and MFRS 4 *Insurance Contracts*. The RBC Framework for Insurers issued by BNM meets the requirement of the Liability Adequacy Test under MFRS 4.

The Company performs liability adequacy tests on its life insurance liabilities to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Company discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the income statement.

(m) Reinsurance Contracts

The Company cedes insurance risk in the normal course of its life insurance business. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive part or all outstanding amounts due under the terms of the contract.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired.

(n) Life Insurance Underwriting Results

The surplus transferable from the Life Insurance Fund to the income statement is based on the surplus determined by an annual actuarial valuation of the long term liabilities to policyholders.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Life Insurance Underwriting Results (continued)

(i) Gross Premium Income

Premium is recognised as soon as the amount of the premium can be reliably measured. First year premium is recognised from inception date and subsequent premium is recognised when it is due. For single premium business, revenue is recognised on the date on which the policy is effective. Premiums from the investment-linked business are recognised as revenue when payment is received.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premium not received on due date are recognised as revenue in the income statement and reported as outstanding premiums in the balance sheet.

(ii) Reinsurance Premiums

Gross reinsurance premiums are recognised as an expense when payable or on the date when the policy is effective.

(iii) Creation of Units

Net creation of units, which represents premiums paid by policyholders as payment for a new contract or subsequent payments to increase the amount of that contract, are reflected in the income statement. Net creation of units is recognised on a receipt basis.

(iv) Commission and Agency Expenses

Commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, net of income derived from reinsurers in the course of ceding of premium to reinsurers, are charged to the income statement in the period in which they are incurred.

(v) Claims and Policy Benefits

Claims and settlement costs that are incurred during the financial period are recognised when a claimable event occurs and/or when the insurer is notified.

Policy benefits are recognised in the accounts when the policyholder exercises the option to deposit the cash bonus and survival benefit with the Company when the benefits fall due. Policy benefits bear fixed interest rates as determined by the Company from time to time.

Claims and provisions for claims arising on life insurance policies, including settlement costs, are accounted for using the case basis method and for this purpose, the benefits payable under a life insurance policy are recognised as follows:

- (a) maturity or other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- (b) death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered;
- (c) benefits payable under investment-linked business include net cancellation of units and are recognised as surrender; and
- (d) bonus on non-participating life policies upon declaration.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Other Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

Interest income is recognised on a time proportion basis that takes into account the effective yield of the asset.

Rental is recognised on an accrual basis except where default in payment of rent has already occurred and rent due remains outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to suspension, income is recognised on a receipt basis until all arrears have been paid.

Dividend is recognised when the right to receive payment is established.

All sales of investments are recognised on their trade dates i.e., the date the Company commits to sell the assets. Gains or losses arising from the sale of investments are calculated as the difference between net sales proceeds and the original or carrying amount and are credited or charged to the income statement.

(p) Fees and Commission Income

Fees and commission income comprise mainly of management fee and reinsurance commission income. Management fee includes income earned from provision of investment management services for investment linked businesses. These fees income are recognised as revenue over the period in which the services are rendered.

(q) Agents' Retirement Benefits

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions in the respective Life Assurance Sales Representative's Agreements ("Agreements").

The terms and conditions of the Agreements stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Company shall allocate to the agent a deferred benefit/retirement benefit.

The deferred benefit/retirement benefit accumulated at the balance sheet date includes an element of accrued interest, which is calculated at the Participating fund rate of return for the year/dividend rate as announced by the Employees' Provident Fund for that year.

The accrued deferred benefit shall only become payable provided the Agreements have been in force for certain continuous contract years and the agent has attained the minimum age stipulated in the Agreements.

(r) Foreign Currencies

(i) Functional and Presentation Currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Foreign Currencies (continued)

(ii) Foreign Currency Transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency ("foreign currencies") are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated. Exchange differences arising on the settlement of monetary items and on the translation of monetary items are included in the income statement.

The principal exchange rates of foreign currency ruling at balance sheet date used are as follows:

	2016 RM	2015 RM
Singapore Dollar	3.10	3.04
United States Dollar	4.48	4.29
British Pound	5.54	6.32
Australian Dollar	3.23	3.13
Hong Kong Dollar	0.58	0.55

(s) Income Tax

Income tax on the income statement for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

In addition to paying tax on shareholder's profit, the life insurance business pays tax on policyholders' investment returns at a tax rate of 8%. Tax on policyholders is recognised as an expense and disclosed separately under taxation of life insurance business in the Income Statement.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee Benefits

(i) Defined Contribution Plans Under Statutory Regulations

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(ii) Employee Leave Entitlements

An employee's entitlement to annual leave is estimated and accrued according to the Company's Human Resource policy.

(iii) Share Options

Senior executives of the Company are granted share options in the OCBC Bank's Share Option Scheme as consideration for services rendered. Options granted generally vest in one-third increments over a 3-year period and expire between 5 and 10 years from date of grant. The cost of these equity-settled share based payment transactions with the senior executives is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. The cost is recognised in the income statement of the respective insurance funds, with a corresponding increase in the intercompany balance with the ultimate holding company, over the vesting period.

The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of options that will ultimately vest. The charge or credit to income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as a result of a failure to meet a non-vesting condition that is within the control of the Company or the senior executives, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in the income statement upon cancellation.

(iv) Deferred Share Plan

In addition to the OCBC Bank's Share Option Scheme, certain employees within the Company are granted OCBC shares under the OCBC Deferred Share Plan ("DSP"). There are 2 types of deferred share awards. Deferred share awards granted as part of long term incentive compensation will vest three years from the grant date and will lapse if the staff ceases employment during the vesting period. For deferred share awards granted as part of variable performance bonus, half of the share awards will vest two years from the grant date and the remaining half will vest at the end of three years from the grant date. The cost of the DSP is recognised in the income statement on the straight-line basis over the vesting period of the DSP.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Employee Benefits (continued)

(iv) Deferred Share Plan (continued)

At each balance sheet date, the cumulative expense is adjusted for the estimated number of shares granted under the DSP that have vested and/or lapsed.

(u) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term, highly liquid investments with original maturity of three months or less that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(v) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Where the effect of the time value of money is material, provision is discounted using a current pre-tax rate that reflects the risk specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

(w) Offsetting of Financial Assets and Financial Liabilities

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

(x) Goods and Service Tax ("GST")

GST is a multistage consumption tax on domestic consumption.

For the Company, revenues, expenses and assets are recognised net of the amount of GST except where GST incurred on a purchase of assets or services is not recoverable from the tax authority, in which case GST is recognised as part of the expense item as applicable. Receivable and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to the tax authority is included as part of the receivables and payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Company adopted the following amended MFRSs and new MFRS mandatory for annual financial periods beginning on or after 1 January 2016.

- Annual Improvements to MFRSs 2012-2014 Cycle
- Amendments to MFRS 116 and MFRS 138 *Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116 and MFRS 141 *Agriculture: Bearer Plants*
- Amendments to MFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 127 *Equity Method in Separate Financial Statements*
- Amendments to MFRS 101 *Disclosure Initiatives*
- Amendments to MFRS 10, MFRS 12 and MFRS 128 *Investment Entities: Applying the Consolidation Exception*
- MFRS 14 *Regulatory Deferral Accounts*

The adoption of the above pronouncements did not have any significant impact on the financial statements of the Company.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following are standards, amendments to standards and interpretations to standards issued by Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Company's financial statements. The Company intends to adopt these standards, amendments to standards and interpretations to standards, if applicable, when they become effective:

Effective for financial periods beginning on or after 1 January 2017

- Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 107 *Disclosures Initiatives*
- Amendments to MFRS 112 *Recognition of Deferred Tax for Unrealised Losses*

Effective for financial periods beginning on or after 1 January 2018

- Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014-2016 Cycle*
- Amendments to MFRS 140 *Transfers of Investment property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*
- MFRS 9 *Financial Instruments*
- MFRS 15 *Revenue from Contracts with Customers*

Effective for financial periods beginning on or after 1 January 2019

- MFRS 16 *Leases*

Deferred

- Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

The management expects that the adoption of the above standards, amendments to standards and interpretation to standards issued by MASB, but not yet effective, will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 9 *Financial Instruments*

In July 2014, the MASB issued the final version of MFRS 9 *Financial Instruments* that replaces MFRS 139 *Financial Instruments: Recognition and Measurement* and all previous versions of MFRS 9. MFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

MFRS 9 is issued by the MASB in respect of its application in Malaysia. It is equivalent to IFRS 9 as issued by IASB, including the effective and issuance dates. The areas with expected significant impact from application of MFRS 9 are summarised below:

(a) Classification and measurement

The Company expects to have mixed business models. The Company intends to hold its loans and receivable to collect contractual cash flows, and accordingly measure at amortised cost when it applies MFRS 9. The Company intends to hold debt securities either to collect contractual cash flows and to sell or to hold for trading, and this is accordingly measured either at fair value through other comprehensive income ("FVOCI") or at fair value through profit or loss ("FVTPL") respectively. The Company may make an election to measure its debt securities currently measured as AFS at FVTPL if by doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets and liabilities or recognising the gains and losses on them on different bases. The Company is currently assessing the impact arising from these changes.

For equity securities, the Company will continue to measure its currently held for trading equity securities at FVTPL. The Company may make an election to measure its AFS equity securities that is not held for trading at FVOCI. In addition, the Company currently measures its investments in unquoted securities whose fair value cannot be reliably measured at cost less impairment losses. Under MFRS 9, the Company will be required to measure such investments at fair value. Any difference between the previous carrying amount under MFRS 139 and the fair value would be recognised in the opening retained earnings when the Company applies MFRS 9. The Company is currently assessing the impact arising from this change.

(b) Impairment

The MFRS 9 impairment requirements are based on an expected credit loss ("ECL") model that replaces the incurred loss model under the current accounting standard. The Company is required to recognise either a 12-month or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. The ECL model will apply to financial assets measured at amortised cost or at FVOCI, trade and other receivables, irrevocable loan commitments and financial guarantee contracts, which will include loans, advances and financing, and debt instruments held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

(b) Impairment (continued)

The Company expects to apply the simplified approach and record lifetime ECL on all trade and other receivables.

A more detailed analysis considering all reasonable and supportable information, including forward looking elements is required to determine the extent of the impact.

(c) Hedge accounting

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of hedged items for accounting purposes.

However, it is not practicable to provide a reasonable estimate of the effect of MFRS 9 until the Company undertakes a detailed review.

(d) Transition

The Company plans to adopt the new standard on the required effective date without restating prior year's information and recognise any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings. The Company is in the process of assessing the impact of MFRS 9 and is not yet able to reasonably estimate the impact on its financial statements.

Amendments to MFRS 4 Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

In December 2016, the MASB issued amendments to MFRS 4 to address issues arising from the different effective dates of MFRS 9 and the upcoming new insurance contracts standard (MFRS 17). Amendments to MFRS 4 is issued by the MASB in respect of its application in Malaysia. It is equivalent to the amendments to IFRS 4 as issued by the IASB.

The amendments introduce two alternative options for entities issuing contracts within the scope of MFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if:

- (i) it has not previously applied any version of MFRS 9 before; and
- (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016.

The overlay approach allows an entity applying MFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied MFRS 139 to these designated financial assets.

An entity can apply the temporary exemption from MFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies MFRS 9 for the first time.

However, the Company intends to adopt MFRS 9 on the required effective date without applying any of the alternative options.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 118 Revenue, MFRS 111 Construction Contracts and the related interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e, when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Company is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date.

MFRS 16 *Leases*

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach on transition to the new standard.

The Company is currently assessing the impact of MFRS 16 and plans to adopt the new standard on the required effective date.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

(a) Critical Judgements Made in Applying Accounting Policies

The following are judgements made by management in the process of applying the Company’s accounting policies that have significant effect on the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Critical Judgements Made in Applying Accounting Policies (continued)

(i) Classification Between Investment Properties and Property and Equipment (Notes 3 and 4)

The Company has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies to be classified as an investment property. Investment property is a property held to earn rental or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Company would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

(ii) Impairment of AFS Financial Assets (Note 6(b))

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

(iii) Insurance Contract Classification (Note 11)

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Company. The Company exercises judgement about the level of insurance risk transferred. As a general guideline, the Company determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. These additional benefits include claims liability and assessment costs, but exclude loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable.

(iv) Impairment of Receivables (Notes 8 and 9)

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company complies with BNM's Guidelines on Financial Reporting (BNM/RH/STD 032-5). According to the Guidelines, objective evidence of impairment is deemed to exist where the financial assets are individually assessed for impairment if past due for more than 90 days or 3 months. Other factors considered by the Company are probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the Company will recognise the impairment loss in the income statement immediately.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Key Sources of Estimation Uncertainty

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

(i) Valuation of Life Insurance Contract Liabilities (Note 11)

The estimation of the ultimate liability arising from claims made under life insurance contracts is the Company's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Company will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, disabilities, morbidities, voluntary terminations, investment returns and administration expenses. The Company relies on standard industry and reinsurance tables which represent historical experiences, and makes appropriate adjustments for its respective risk exposures in deriving the mortality, disability and morbidity estimates. These estimates provide the basis in the valuation of the future benefits to be paid to policyholders and ensure adequate provision of reserve which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. At each reporting date, these estimates are assessed for adequacy and changes will be reflected as adjustments to the insurance contract liabilities.

(ii) Agents' Retirement Benefits (Note 13)

Provision for agents' retirement benefits is calculated in accordance with the terms and conditions of the agreement, which stipulate that upon the agent maintaining his position for the qualifying year and achieving the required personal sales and minimum new business, the Company shall allocate to the agent a deferred benefit/retirement benefit. Interest will be accrued based on an estimated rate at the end of the financial year on the deferred benefit/retirement benefit accumulated with adjustment made subsequent to the year end when the participating fund rate of return is known or when the dividend rate is declared by the Employees' Provident Fund ("EPF"). Additional provision is made to cover estimated liability for future benefits payable in the event of death or total and permanent disablement of the eligible agents and the estimates are made for future deaths, disabilities, investment returns and benefits payable. The agents' retirement benefits shall become vested and payable upon fulfilment of the stipulated conditions.

Judgement is required to estimate the provision to be made, based upon the likely fulfilment of the conditions and occurrence of the claimable event.

At each reporting year, these estimates are reassessed for adequacy and changes will be reflected as adjustments to the provision.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(b) Key Sources of Estimation Uncertainty (continued)

(iii) Deferred tax (Note 14)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future production and sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgment is also required about application of income tax legislation. These judgments and assumptions are subject to risks and uncertainties hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

3. PROPERTY AND EQUIPMENT

	Properties		Buildings on Leasehold Land RM'000	Capital Work-in-Progress RM'000	Motor Vehicles RM'000	Office Machinery RM'000	Office Furniture and Fitting RM'000	Computer Equipment RM'000	Total RM'000
	Freehold Land RM'000	Freehold Land RM'000							
Cost									
At 1 January 2016	13,861	341,308	66,027	8,276	2,475	86,386	62,852	479,158	1,060,343
Additions	-	1,301	76	366	70	1,578	1,775	54,161	59,327
Disposal	-	-	-	-	(60)	-	-	(96)	(156)
At 31 December 2016	13,861	342,609	66,103	8,642	2,485	87,964	64,627	533,223	1,119,514
Accumulated Depreciation and Impairment									
At 1 January 2016	-	114,219	22,089	-	2,019	75,984	51,220	344,872	610,403
Disposal	-	-	-	-	(60)	-	-	(96)	(156)
Depreciation charge for the year	-	7,246	1,333	-	226	5,769	3,962	45,326	63,862
At 31 December 2016	-	121,465	23,422	-	2,185	81,753	55,182	390,102	674,109
Net Book Value									
At 31 December 2016	13,861	221,144	42,681	8,642	300	6,211	9,445	143,121	445,405

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

3. PROPERTY AND EQUIPMENT (CONTINUED)

	Properties								
	Buildings		Buildings	Capital	Motor	Office	Office	Computer	Total
	Freehold	Freehold	Leasehold	Work-in-	Vehicles	Machinery	Furniture	Equipment	
	Land	Land	Land	Progress			and Fitting		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
At 1 January 2015	13,861	338,615	65,687	8,164	2,475	84,945	61,458	431,785	1,006,990
Additions	-	2,675	340	130	-	1,441	1,394	48,048	54,028
Disposal	-	-	-	-	-	-	-	(502)	(502)
Reclassification	-	18	-	(18)	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	(173)	(173)
At 31 December 2015	13,861	341,308	66,027	8,276	2,475	86,386	62,852	479,158	1,060,343
Accumulated Depreciation and Impairment									
At 1 January 2015	-	106,581	20,769	-	1,772	70,455	47,137	313,278	559,992
Disposal	-	-	-	-	-	-	-	(502)	(502)
Depreciation charge for the year	-	7,638	1,320	-	247	5,529	4,083	32,096	50,913
At 31 December 2015	-	114,219	22,089	-	2,019	75,984	51,220	344,872	610,403
Net Book Value									
At 31 December 2015	13,861	227,089	43,938	8,276	456	10,402	11,632	134,286	449,940

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM317,292,517 (2015: RM239,629,837).

Included in property and equipment are properties with a total net book value amounting to RM6,458,543 (2015: RM8,182,575) for which title deeds are still in the process of being transferred to the Life Insurance Fund.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

4. INVESTMENT PROPERTIES

	2016 RM'000	2015 RM'000
At 1 January	601,810	546,616
Additions	-	320
Fair value gains (Note 21)	2,000	54,874
At 31 December	603,810	601,810

The Company's investment properties consist of commercial and residential properties in Malaysia – based on the nature, characteristics and risks of each property.

As at 31 December 2016, the fair values of the properties are based on valuations performed by Messrs. Savills (Malaysia) Sdn. Bhd. (2015: Messrs. Savills (Malaysia) Sdn. Bhd.), an accredited independent firm of property valuers. The property valuers are specialists in valuing these types of investment properties. The valuation models applied are in accordance with that recommended by the International Valuation Standards Committee and meets the requirements of MFRS 13 *Fair Value Measurements*.

The amount of rental income and expenses recorded in respect of investment properties of the Company, in the income statement is as follows:

	2016 RM'000	2015 RM'000
Rental income derived from investment properties	30,655	30,846
Direct operating expenses (including repairs and maintenance) generating rental income	(10,282)	(10,676)
	20,373	20,170

The Company has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair value disclosures for investment properties have been provided in Note 34.

The Company has determined that the highest and best use of the properties used for commercial and residential purposes is its current use.

5. PREPAID LAND LEASE PAYMENTS

	2016 RM'000	2015 RM'000
Long term leasehold land		
At 1 January	16,666	16,804
Amortisation for the year	(138)	(138)
At 31 December	16,528	16,666

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

6. INVESTMENTS

	2016				2015			
	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
Malaysian government securities	7,715	7,130,488	257,450	7,395,653	42,314	6,487,719	9,980	6,540,013
Debt securities	409,617	32,270,583	1,427,456	34,107,656	455,705	32,143,533	965,272	33,564,510
Equity securities	69,983	14,391,810	3,347,823	17,809,616	92,290	13,580,347	3,469,470	17,142,107
Unit and property trust funds	16,248	815,371	140,400	972,019	10,125	594,253	77,538	681,916
Loans	45,066	7,441,759	-	7,486,825	42,643	7,445,552	-	7,488,195
Deposits with financial institutions	42,400	1,729,387	660,700	2,432,487	17,400	1,365,571	831,160	2,214,131
	591,029	63,779,398	5,833,829	70,204,256	660,477	61,616,975	5,353,420	67,630,872
The Company's financial investments are summarised by categories as follows:								
LAR (Note 6(a))	87,466	9,171,146	660,700	9,919,312	60,043	8,811,123	831,160	9,702,326
AFS (Note 6(b))	469,251	15,185,957	-	15,655,208	576,804	14,162,659	-	14,739,463
FVTPL (Note 6(c))	34,312	39,422,295	5,173,129	44,629,736	23,630	38,643,193	4,522,260	43,189,083
	591,029	63,779,398	5,833,829	70,204,256	660,477	61,616,975	5,353,420	67,630,872
The following investments mature after 12 months:								
LAR	37,572	2,569,085	-	2,606,657	37,643	3,067,139	-	3,104,782
AFS	383,020	-	-	383,020	474,445	-	-	474,445
FVTPL	34,312	37,058,756	1,607,674	38,700,742	23,630	35,819,530	829,829	36,672,989
	454,904	39,627,841	1,607,674	41,690,419	535,718	38,886,669	829,829	40,252,216

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

6. INVESTMENTS (CONTINUED)

(a) LAR

	2016				2015			
	Shareholder's	Life			Shareholder's	Life		
	Fund	Insurance	Unit-linked	Total	Fund	Insurance	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Amortised Cost/Cost:								
Deposits with financial institutions:								
Licensed banks	42,400	1,684,387	660,700	2,387,487	17,400	1,335,571	831,160	2,184,131
Others	-	45,000	-	45,000	-	30,000	-	30,000
Policy loans	-	4,205,268	-	4,205,268	-	4,083,316	-	4,083,316
Mortgage loans	33,910	1,961,462	-	1,995,372	27,380	1,791,803	-	1,819,183
Secured loans	10,009	1,275,021	-	1,285,030	15,012	1,570,424	-	1,585,436
Unsecured loans	1,147	8	-	1,155	251	9	-	260
	87,466	9,171,146	660,700	9,919,312	60,043	8,811,123	831,160	9,702,326
At Fair Value:								
Deposits with financial institutions:								
Licensed banks	42,400	1,684,387	660,700	2,387,487	17,400	1,335,571	831,160	2,184,131
Others	-	45,000	-	45,000	-	30,000	-	30,000
Policy loans	-	4,205,268	-	4,205,268	-	4,083,316	-	4,083,316
Mortgage loans	35,247	1,994,263	-	2,029,510	27,952	1,818,734	-	1,846,686
Secured loans	10,009	1,275,021	-	1,285,030	15,012	1,570,424	-	1,585,436
Unsecured loans	1,147	8	-	1,155	251	9	-	260
	88,803	9,203,947	660,700	9,953,450	60,615	8,838,054	831,160	9,729,829

Included in deposits with financial institutions of the Company are short term deposits with original maturity periods of less than 3 months amounting to RM2,200,787,000 (2015: RM2,128,181,000), which have been classified as cash and cash equivalents for the purpose of the cash flow statement.

The carrying value of the deposits with financial institutions approximates fair value due to the relatively short term maturities. The carrying value of the policy loans, secured loans and unsecured loans are reasonable approximations of fair value due to the insignificant impact of discounting.

The fair values of the mortgage loans have been established by comparing current market interest rates for similar financial instruments to the rates offered when the mortgage loans were first recognised together with appropriate market credit adjustments.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

6. INVESTMENTS (CONTINUED)

(b) AFS

	2016				2015			
	Shareholder's	Life			Shareholder's	Life		
	Fund	Insurance	Unit-linked	Total	Fund	Insurance	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Fair Value:								
Equity securities:								
Quoted in								
Malaysia	47,696	10,678,596	-	10,726,292	70,438	10,793,046	-	10,863,484
Quoted outside								
Malaysia	21,995	3,683,816	-	3,705,811	21,504	2,767,186	-	2,788,690
Malaysian								
government								
securities	7,715	-	-	7,715	42,314	-	-	42,314
Debt securities:								
Unquoted in								
Malaysia	348,547	-	-	348,547	406,989	-	-	406,989
Quoted outside								
Malaysia	26,758	-	-	26,758	25,142	-	-	25,142
Unit and property								
trust funds:								
Quoted in								
Malaysia	13,526	547,153	-	560,679	8,694	425,105	-	433,799
Quoted outside								
Malaysia	2,722	268,218	-	270,940	1,431	169,148	-	170,579
	468,959	15,177,783	-	15,646,742	576,512	14,154,485	-	14,730,997
At Cost:								
Equity securities:								
Unquoted in								
Malaysia	292	8,174	-	8,466	292	8,174	-	8,466
	469,251	15,185,957	-	15,655,208	576,804	14,162,659	-	14,739,463
Movement in impairment allowance accounts:								
						2016	2015	
						RM'000	RM'000	
Provision for impairment loss:								
At 1 January						254,107	27,311	
Charge for the year						211,353	265,256	
Transfer to realised gain upon disposal						(57,839)	(38,460)	
At 31 December						407,621	254,107	

The impairment losses arose on equity securities for which there have been significant or prolonged decline in fair value.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

6. INVESTMENTS (CONTINUED)

(c) FVTPL

	2016				2015			
	Shareholder's	Life			Shareholder's	Life		
	Fund	Insurance	Unit-linked	Total	Fund	Insurance	Unit-linked	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At Fair Value:								
Held-for-Trading:								
Equity securities:								
Quoted in								
Malaysia	-	21,224	3,251,663	3,272,887	56	11,941	3,419,428	3,431,425
Quoted outside								
Malaysia	-	-	96,160	96,160	-	-	50,042	50,042
Malaysian								
government								
securities	-	-	257,450	257,450	-	-	9,980	9,980
Debt securities:								
Quoted in								
Malaysia	-	-	-	-	-	-	-	-
Unquoted in								
Malaysia	34,312	1,768,752	1,427,456	3,230,520	23,574	2,707,649	965,272	3,696,495
Unit and property								
trust funds:								
Quoted in								
Malaysia	-	-	139,251	139,251	-	-	75,662	75,662
Quoted outside								
Malaysia	-	-	1,149	1,149	-	-	1,876	1,876
	34,312	1,789,976	5,173,129	6,997,417	23,630	2,719,590	4,522,260	7,265,480
Designated upon								
initial recognition:								
Malaysian								
government								
securities								
	-	7,130,488	-	7,130,488	-	6,487,719	-	6,487,719
Debt securities:								
Quoted outside								
Malaysia								
	-	836,819	-	836,819	-	964,575	-	964,575
Unquoted in								
Malaysia								
	-	29,536,410	-	29,536,410	-	28,251,652	-	28,251,652
Unquoted								
outside								
Malaysia								
	-	128,602	-	128,602	-	219,657	-	219,657
	-	37,632,319	-	37,632,319	-	35,923,603	-	35,923,603
	34,312	39,422,295	5,173,129	44,629,736	23,630	38,643,193	4,522,260	43,189,083

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- 31 December 2016

7. REINSURANCE ASSETS

Life Insurance Fund

	2016 RM'000	2015 RM'000
Reinsurance of insurance contracts (Note 11)	83,683	100,985

8. INSURANCE RECEIVABLES

Life Insurance Fund

	2016 RM'000	2015 RM'000
Due premiums including agents/brokers and co-insurers balances	272,962	273,432
Due from reinsurers and cedants	-	280
	272,962	273,712
Allowance for impairment	(2,604)	(5,462)
	270,358	268,250
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	5,462	7,855
Reversal for the year	(2,858)	(2,393)
At 31 December	2,604	5,462

There were no collectively impaired insurance receivables for the years ended 31 December 2016 and 2015.

The carrying amounts disclosed above approximate fair values due to its relatively short term nature.

NOTES TO THE FINANCIAL STATEMENTS

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8. INSURANCE RECEIVABLES (CONTINUED)

The Company's amounts due from reinsurers that have been offset against amount due to reinsurers are as follows:

	Gross carrying amount RM'000	Gross amounts recognised in insurance payables offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2016			
Commissions receivable	(22,973)	22,973	-
Claims recoveries	(79,607)	79,607	-
	(102,580)	102,580	-
31 December 2015			
Premiums ceded	(190)	-	(190)
Commissions receivable	(16,857)	16,857	-
Claims recoveries	(63,629)	64,099	470
	(80,676)	80,956	280

9. OTHER RECEIVABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 31 December 2016				
<u>Non-financial assets</u>				
Prepayments	-	11,107	-	11,107
<u>Financial assets</u>				
Income due and accrued	4,622	1,094,363	27,442	1,126,427
Progress payment for property under development	-	115,484	-	115,484
Other receivables	60	2,002	-	2,062
Amount due from related companies	4,394	-	-	4,394
	9,076	1,211,849	27,442	1,248,367
Allowance for impairment	-	(777)	-	(777)
	9,076	1,211,072	27,442	1,247,590
Total other receivables	9,076	1,222,179	27,442	1,258,697
Receivable after 12 months	54	113,850	-	113,904

NOTES TO THE FINANCIAL STATEMENTS

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9. OTHER RECEIVABLES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 31 December 2015				
<u>Non-financial assets</u>				
Prepayments	-	10,461	-	10,461
<u>Financial assets</u>				
Income due and accrued	7,208	659,737	13,585	680,530
Progress payment for property under development	-	108,815	-	108,815
Other receivables	58	1,884	-	1,942
Amount due from related companies	5,983	-	-	5,983
	13,249	770,436	13,585	797,270
Allowance for impairment	-	(534)	-	(534)
	13,249	769,902	13,585	796,736
Total other receivables	13,249	780,363	13,585	807,197
Receivable after 12 months	48	5,023	-	5,071

Related companies in these financial statements refer to companies within the OCBC Group. The amount due from related companies is unsecured, interest-free and is repayable on demand.

	2016 RM'000	2015 RM'000
Movement in impairment allowance account:		
Individual impairment:		
At 1 January	534	263
Charge for the year	243	271
At 31 December	777	534

There were no collectively impaired other receivables for the years ended 31 December 2016 and 2015.

The carrying amounts disclosed above approximate fair values due to its relatively short term nature.

NOTES TO THE FINANCIAL STATEMENTS

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10. SHARE CAPITAL

	2016		2015	
	No. of shares (‘000)	RM’000	No. of shares (‘000)	RM’000
Authorised:				
Ordinary shares of RM1 each				
At beginning and end of year	500,000	500,000	500,000	500,000
Issued and Paid-up:				
Ordinary shares of RM1 each				
At beginning and end of year	100,000	100,000	100,000	100,000

11. INSURANCE CONTRACT LIABILITIES

Life Insurance Fund

	2016			2015		
	Gross RM’000	Reinsurance RM’000	Net RM’000	Gross RM’000	Reinsurance RM’000	Net RM’000
Provision for outstanding claims	8,216,667	(29,175)	8,187,492	7,507,144	(57,382)	7,449,762
Actuarial liabilities	49,050,781	(54,508)	48,996,273	44,224,688	(43,603)	44,181,085
Unallocated surplus	1,872,531	-	1,872,531	4,528,585	-	4,528,585
Available-for-sale fair value reserves	3,582,411	-	3,582,411	3,881,400	-	3,881,400
Net asset value attributable to unitholders	5,833,469	-	5,833,469	5,320,405	-	5,320,405
	68,555,859	(83,683)	68,472,176	65,462,222	(100,985)	65,361,237

NOTES TO THE FINANCIAL STATEMENTS

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11. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2016	57,521,153	7,941,069	65,462,222	(11,071)	(89,914)	(100,985)	65,361,237
Premiums received	3,897,255	960,255	4,857,510	(66,389)	(84,315)	(150,704)	4,706,806
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,847,211)	(387,686)	(4,234,897)	24,357	44,647	69,004	(4,165,893)
Policy movements	1,663,029	127,802	1,790,831	-	(12,224)	(12,224)	1,778,607
Interest rate	593	(17,459)	(16,866)	-	196	196	(16,670)
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(5,277)	(3,003)	(8,280)	-	162	162	(8,118)
<i>Expenses</i>	10,325	1,277	11,602	-	-	-	11,602
<i>Lapse</i>	887,266	(7,129)	880,137	-	(75)	(75)	880,062
<i>Others</i>	2,195,895	4,691	2,200,586	-	1,035	1,035	2,201,621
Model change	(25,297)	(6,620)	(31,917)	-	-	-	(31,917)
Claims benefit experience variation	700,572	8,952	709,524	42,278	67,630	109,908	819,432
Net asset value attributable to unitholders	-	(59,505)	(59,505)	-	-	-	(59,505)
Available-for-sale fair value reserves	(324,945)	-	(324,945)	-	-	-	(324,945)
Unallocated surplus	(2,706,098)	-	(2,706,098)	-	-	-	(2,706,098)
Deferred tax effects:							
Available-for-sale fair value reserves	25,955	-	25,955	-	-	-	25,955
At 31 December 2016	59,993,215	8,562,644	68,555,859	(10,825)	(72,858)	(83,683)	68,472,176
At 1 January 2015	55,554,823	7,203,728	62,758,551	(16,096)	(92,845)	(108,941)	62,649,610
Premiums received	3,996,513	870,005	4,866,518	(30,047)	(34,552)	(64,599)	4,801,919
Liabilities paid for death, maturities, surrenders, benefits and claims	(3,696,671)	(372,194)	(4,068,865)	12,376	23,094	35,470	(4,033,395)
Policy movements	1,965,822	107,589	2,073,411	-	111	111	2,073,522
Interest rate	(2,428)	(16,058)	(18,486)	-	94	94	(18,392)
<i>Adjustments due to changes in assumptions:</i>							
<i>Mortality/morbidity</i>	(246,056)	(35,794)	(281,850)	-	10,199	10,199	(271,651)
<i>Expenses</i>	20,153	5,875	26,028	-	-	-	26,028
<i>Lapse</i>	6,705	(394)	6,311	-	(100)	(100)	6,211
<i>Others</i>	(72,553)	20,015	(52,538)	-	(4,623)	(4,623)	(57,161)
Model change*	356,816	(14,125)	342,691	-	(2,744)	(2,744)	339,947
Claims benefit experience variation	689,754	4,638	694,392	22,696	11,452	34,148	728,540
Net asset value attributable to unitholders	-	167,784	167,784	-	-	-	167,784
Available-for-sale fair value reserves	(315,570)	-	(315,570)	-	-	-	(315,570)
Unallocated surplus	(761,350)	-	(761,350)	-	-	-	(761,350)
Deferred tax effects:							
Available-for-sale fair value reserves	25,195	-	25,195	-	-	-	25,195
At 31 December 2015	57,521,153	7,941,069	65,462,222	(11,071)	(89,914)	(100,985)	65,361,237

Policy benefits bear interest at 5% per annum.

* The amount of RM356.8 million under model change (gross with DPF) include the impact of changes in cash bonus rate of approximately RM362 million.

NOTES TO THE FINANCIAL STATEMENTS

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12. DERIVATIVES

	Liability Notional Principal RM'000	Fair Value RM'000
31 December 2016		
Life Insurance Fund		
Derivatives held for trading:		
Currency swaps	613,641	284,614
Shareholder's Fund		
Derivatives held for trading:		
Currency swaps	4,218	468
	617,859	285,082
31 December 2015		
Life Insurance Fund		
Derivatives held for trading:		
Currency swaps	709,254	413,626

13. AGENTS' RETIREMENT BENEFITS

	2016 RM'000	2015 RM'000
Life Insurance Fund		
At 1 January	760,436	714,036
Provision for the year	89,849	82,278
Utilised during the year	(37,155)	(35,878)
At 31 December	813,130	760,436
Payable after 12 months	572,364	547,065

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14. DEFERRED TAXATION

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
At 1 January 2016	152,512	353,247	20,317	526,076
Recognised in:				
Income statement (Note 25)	15,927	15,695	(4,879)	26,743
Other comprehensive income	(3,729)	-	-	(3,729)
Insurance contract liabilities	-	(25,955)	-	(25,955)
At 31 December 2016	164,710	342,987	15,438	523,135
At 1 January 2015	136,485	411,310	13,675	561,470
Recognised in:				
Income statement (Note 25)	10,950	(32,868)	6,642	(15,276)
Other comprehensive income	5,077	-	-	5,077
Insurance contract liabilities	-	(25,195)	-	(25,195)
At 31 December 2015	152,512	353,247	20,317	526,076

Deferred tax assets and liabilities 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.

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
Presented after appropriate offsetting as follows:				
At 31 December 2016				
Deferred tax liabilities	167,391	375,320	15,438	558,149
Deferred tax assets	(2,681)	(32,333)	-	(35,014)
	164,710	342,987	15,438	523,135
At 31 December 2015				
Deferred tax liabilities	156,945	372,638	20,317	549,900
Deferred tax assets	(4,433)	(19,391)	-	(23,824)
	152,512	353,247	20,317	526,076

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14. DEFERRED TAXATION (CONTINUED)

The components and movements of deferred tax liabilities during the financial year prior to offsetting are as follows:

Deferred Tax Liabilities

	Fair value of investment assets RM'000	Unallocated Surplus of Non- Participating Funds RM'000	Total RM'000	
Shareholder's Fund				
At 1 January 2016	9,710	147,235	156,945	
Recognised in other comprehensive income	(3,729)	-	(3,729)	
Recognised in income statement	(201)	14,376	14,175	
At 31 December 2016	5,780	161,611	167,391	
At 1 January 2015				
Recognised in other comprehensive income	4,504	134,185	138,689	
Recognised in income statement	5,077	-	5,077	
	129	13,050	13,179	
At 31 December 2015	9,710	147,235	156,945	
	Fair value of investment properties RM'000	Fair value of investment assets RM'000	Accelerated capital allowance on property and equipment RM'000	Total RM'000
Life Insurance Fund				
At 1 January 2016	18,659	348,948	5,031	372,638
Recognised in insurance contract liabilities	-	(25,955)	-	(25,955)
Recognised in income statement	347	26,643	1,647	28,637
At 31 December 2016	19,006	349,636	6,678	375,320
At 1 January 2015				
Recognised in insurance contract liabilities	14,019	393,302	6,174	413,495
Recognised in incomestatement	-	(25,195)	-	(25,195)
	4,640	(19,159)	(1,143)	(15,662)
At 31 December 2015	18,659	348,948	5,031	372,638

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14. DEFERRED TAXATION (CONTINUED)

Deferred Tax Liabilities (continued)

	Fair value of investment assets RM'000	Total RM'000
Unit-linked		
At 1 January 2016	20,317	20,317
Recognised in income statement	(4,879)	(4,879)
At 31 December 2016	15,438	15,438
Unit-linked		
At 1 January 2015	13,675	13,675
Recognised in income statement	6,642	6,642
At 31 December 2015	20,317	20,317

The components and movements of deferred tax assets during the financial year prior to offsetting are as follows:

Deferred Tax Assets

	Accretion of discounts on investments RM'000	Provision for impairment of investments RM'000	Total RM'000
Shareholder's Fund			
At 1 January 2016	(1,962)	(2,471)	(4,433)
Recognised in income statement	101	1,651	1,752
At 31 December 2016	(1,861)	(820)	(2,681)
At 1 January 2015	(2,204)	-	(2,204)
Recognised in income statement	242	(2,471)	(2,229)
At 31 December 2015	(1,962)	(2,471)	(4,433)

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14. DEFERRED TAXATION (CONTINUED)

Deferred Tax Assets (continued)

	Provision for impairment of investments RM'000
Life Insurance Fund	
At 1 January 2016	(19,391)
Recognised in income statement	(12,942)
At 31 December 2016	(32,333)
At 1 January 2015	(2,185)
Recognised in income statement	(17,206)
At 31 December 2015	(19,391)

15. OTHER FINANCIAL LIABILITIES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2016				
Deposits received from reinsurers	-	579	-	579
Outstanding purchases of investment securities	1,617	38,906	10,283	50,806
	1,617	39,485	10,283	51,385
31 December 2015				
Deposits received from reinsurers	-	578	-	578
Outstanding purchases of investment securities	819	193,705	11,961	206,485
	819	194,283	11,961	207,063

The carrying amounts disclosed above approximate fair values at the balance sheet date due to its relatively short term nature.

NOTES TO THE FINANCIAL STATEMENTS

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16. INSURANCE PAYABLES

	2016 RM'000	2015 RM'000
Life Insurance Fund		
Due to reinsurers	15,164	29,641
Due to agents and intermediaries	209,715	195,026
	224,879	224,667

The carrying amounts disclosed above approximate fair value at the balance sheet date.

The Company's amounts due to reinsurers that have been offset against amount due from reinsurers are as follows:

	Gross carrying amount RM'000	Gross amounts offset in the balance sheet RM'000	Net amounts in the balance sheet RM'000
31 December 2016			
Premiums ceded	117,744	-	117,744
Commissions receivable	-	(22,973)	(22,973)
Claims recoveries	-	(79,607)	(79,607)
	117,744	(102,580)	15,164
31 December 2015			
Premiums ceded	110,597	-	110,597
Commissions receivable	-	(16,857)	(16,857)
Claims recoveries	-	(64,099)	(64,099)
	110,597	(80,956)	29,641

NOTES TO THE FINANCIAL STATEMENTS

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17. OTHER PAYABLES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
31 December 2016				
<u>Non financial liabilities</u>				
Accrued expenses	12	104,428	51	104,491
Premium suspense	-	20,793	-	20,793
	12	125,221	51	125,284
<u>Financial liabilities</u>				
Deposits from tenants	-	17,787	-	17,787
Dividends payable	133,677	-	-	133,677
Advance premium	-	188,056	-	188,056
Amount due to ultimate holding company	1,148	-	-	1,148
Amount due to intermediate holding company	13,578	-	-	13,578
Amount due to holding company	1,816	-	-	1,816
Others	39	113,085	258	113,382
	150,258	318,928	258	469,444
Total payables	150,270	444,149	309	594,728
31 December 2015				
<u>Non financial liabilities</u>				
Accrued expenses	13	101,845	50	101,908
Premium suspense	-	22,769	-	22,769
	13	124,614	50	124,677
<u>Financial liabilities</u>				
Deposits from tenants	-	17,308	-	17,308
Dividends payable	133,674	-	-	133,674
Advance premium	-	183,916	-	183,916
Amount due to ultimate holding company	648	-	-	648
Amount due to intermediate holding company	16,197	-	-	16,197
Amount due to holding company	1,841	-	-	1,841
Others	15	142,819	1,053	143,887
	152,375	344,043	1,053	497,471
Total payables	152,388	468,657	1,103	622,148

The amounts due to the holding, intermediate holding and ultimate holding companies are unsecured, interest-free and are repayable on demand.

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18. NET EARNED PREMIUMS

Life Insurance Fund

	2016 RM'000	2015 RM'000
(a) Gross earned premiums		
Life insurance contracts	7,260,678	7,017,546
(b) Earned premiums ceded to reinsurers		
Life insurance contracts	(150,704)	(142,724)
Net earned premiums	7,109,974	6,874,822

19. INVESTMENT INCOME

2016	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Rental income from:			
- investment properties	-	30,655	30,655
- owner occupied properties	-	32,022	32,022
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	1,004	164,297	165,301
Dividend income:			
- equity securities quoted in Malaysia	-	93,328	93,328
- equity securities quoted outside Malaysia	-	1,156	1,156
- designated upon initial recognition:			
Interest income	-	1,582,050	1,582,050
Financial assets at AFS:			
Interest income	26,694	-	26,694
Dividend income:			
- equity securities quoted in Malaysia	2,954	357,856	360,810
- equity securities quoted outside Malaysia	694	103,513	104,207
- equity securities unquoted in Malaysia	30	3,153	3,183
LAR interest income	2,091	451,434	453,525
Cash and bank balances interest income	1,774	93,148	94,922
Gross investment income	35,241	2,912,612	2,947,853
Less: investment expenses	(42)	(48,727)	(48,769)
	35,199	2,863,885	2,899,084

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19. INVESTMENT INCOME (CONTINUED)

2015	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Rental income from:			
- investment properties	-	30,846	30,846
- owner occupied properties	-	32,540	32,540
Financial assets at FVTPL			
- held for trading purposes:			
Interest income	598	172,626	173,224
Dividend income:			
- equity securities quoted in Malaysia	-	89,091	89,091
- equity securities quoted outside Malaysia	-	1,393	1,393
- designated upon initial recognition:			
Interest income	-	1,500,910	1,500,910
Financial assets at AFS:			
Interest income	22,991	-	22,991
Dividend income:			
- equity securities quoted in Malaysia	2,771	377,154	379,925
- equity securities quoted outside Malaysia	355	87,960	88,315
- equity securities unquoted in Malaysia	30	7,291	7,321
LAR interest income	2,157	436,072	438,229
Cash and bank balances interest income	1,512	86,585	88,097
Gross investment income	30,414	2,822,468	2,852,882
Less: investment expenses	-	(44,086)	(44,086)
	30,414	2,778,382	2,808,796

Included in rental income from properties is contingent rent for the year amounting to RM703,878 (2015: RM475,062). Contingent rental arrangements are computed based on sales or profit achieved by tenants.

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20. REALISED GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2016			
Property and equipment			
Realised gains	-	17	17
AFS financial assets*			
Realised gains/(losses):			
Equity securities:			
- quoted in Malaysia	4,419	360,467	364,886
- quoted outside Malaysia	162	(37,513)	(37,351)
Debt securities:			
- unquoted in Malaysia	2,171	-	2,171
Total realised gains for AFS financial assets	6,752	322,954	329,706
FVTPL financial assets			
Realised (losses)/gains:			
Debt securities:			
- unquoted in Malaysia	(42)	(8,523)	(8,565)
- unquoted outside Malaysia	-	(511)	(511)
- quoted outside Malaysia	-	(62)	(62)
Equity securities:			
- quoted in Malaysia	(4)	(95,258)	(95,262)
- quoted outside Malaysia	-	(3,380)	(3,380)
Total realised losses for FVTPL	(46)	(107,734)	(107,780)
	6,706	215,237	221,943
2015			
Property and equipment			
Realised gains	-	4	4
AFS financial assets*			
Realised (losses)/gains:			
Equity securities:			
- quoted in Malaysia	(1,041)	88,223	87,182
- quoted outside Malaysia	28	(37,279)	(37,251)
Debt securities:			
- unquoted in Malaysia	997	-	997
Total realised (losses)/gains for AFS financial assets	(16)	50,944	50,928

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20. REALISED GAINS AND LOSSES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2015			
FVTPL financial assets			
Realised (losses)/gains:			
Debt securities:			
- unquoted in Malaysia	-	12,154	12,154
- unquoted outside Malaysia	-	673	673
- quoted outside Malaysia	-	583	583
Equity securities:			
- quoted in Malaysia	(10)	(37,824)	(37,834)
- quoted outside Malaysia	-	1,833	1,833
Total realised (losses)/gains for FVTPL	(10)	(22,581)	(22,591)
	(26)	28,367	28,341

* Included in realised gain/(losses) for AFS financial assets of the Life Insurance Fund is net realised gain of RM16,449,762 (2015: realised loss RM1,080,466) arising from the Non-participating fund.

21. FAIR VALUE GAINS AND LOSSES

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
2016			
Investment properties (Note 4)	-	2,000	2,000
Financial investments - FVTPL	(423)	384,093	383,670
	(423)	386,093	385,670
2015			
Investment properties (Note 4)	-	54,874	54,874
Financial investments - FVTPL	656	(38,562)	(37,906)
	656	16,312	16,968

NOTES TO THE FINANCIAL STATEMENTS

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22. FEES AND COMMISSION INCOME

Life Insurance Fund

	2016 RM'000	2015 RM'000
Reinsurance commission income	16,508	16,616

23. NET BENEFITS AND CLAIMS

Life Insurance Fund

	2016 RM'000	2015 RM'000
(a) Gross benefits and claims paid		
Life insurance contracts:		
Death	(354,402)	(353,587)
Maturity	(678,959)	(746,075)
Surrender	(1,558,553)	(1,391,042)
Cash bonus	(1,278,447)	(1,263,094)
Others	(1,309,660)	(1,170,969)
	(5,180,021)	(4,924,767)
(b) Claims ceded to reinsurers		
Life insurance contracts	69,004	68,160
(c) Gross change in contract liabilities		
Life insurance contracts	(2,683,103)	(2,299,654)
(d) Change in contract liabilities ceded to reinsurers		
Life insurance contracts	10,905	(2,936)

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24. MANAGEMENT EXPENSES

2016	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Employee benefits expense	24(a)	-	193,448	193,448
Non-executive directors' remuneration	24(b)	-	1,157	1,157
Auditors' remuneration:				
- statutory audits		11	479	490
- regulatory related fees		-	172	172
- other services		-	104	104
Depreciation of property and equipment	3	-	63,862	63,862
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	408	408
Operating lease payments		-	1,271	1,271
Advertising and promotion		710	20,674	21,384
Finance charges		3	50,749	50,752
Group service fees		-	44,587	44,587
IT and computer expenses		-	31,735	31,735
Policyholder expenses		-	8,399	8,399
Postal and telecommunication		-	14,429	14,429
Printing and stationery		-	2,995	2,995
Professional fees		1	4,390	4,391
Repairs and maintenance		-	3,876	3,876
Transport and travelling		-	2,348	2,348
Utilities		-	5,983	5,983
GST expense		8	69,185	69,193
Others		11,050	9,581	20,631
		11,783	529,970	541,753

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24. MANAGEMENT EXPENSES (CONTINUED)

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
(a) Employee Benefits Expense			
Wages and salaries	-	156,397	156,397
Short term accumulating compensated absences	-	230	230
Social security contributions	-	1,159	1,159
Defined contribution plans - EPF	-	25,686	25,686
Other employee benefits expense	-	9,976	9,976
	-	193,448	193,448

(b) Directors' Remuneration

The details of remuneration receivable by Directors during the year are as follows:

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Executive:			
Salaries and other emoluments	-	1,998	1,998
Bonus	-	640	640
Estimated money value of benefits-in-kind	-	35	35
	-	2,673	2,673
Non-executive:			
Fees	-	1,157	1,157
Total directors' remuneration	-	3,830	3,830
Represented by:			
Directors' fees	-	1,157	1,157
Amount included in employee benefits expense	-	2,673	2,673
	-	3,830	3,830

NOTES TO THE FINANCIAL STATEMENTS

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24. MANAGEMENT EXPENSES (CONTINUED)

2015	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Employee benefits expense	24(a)	-	184,819	184,819
Non-executive directors' remuneration	24(b)	-	1,168	1,168
Auditors' remuneration:				
- statutory audits		11	478	489
- regulatory related fees		-	144	144
- other services		-	50	50
Depreciation of property and equipment	3	-	50,913	50,913
Property and equipment written off	3	-	173	173
Amortisation of prepaid land lease payments	5	-	138	138
Rental of properties		-	425	425
Operating lease payments		-	1,187	1,187
Advertising and promotion		457	31,877	32,334
Finance charges		2	47,964	47,966
Group service fees		-	39,049	39,049
IT and computer expenses		-	32,520	32,520
Policyholder expenses		-	8,193	8,193
Postal and telecommunication		-	13,018	13,018
Printing and stationery		-	3,129	3,129
Professional fees		1	2,453	2,454
Repairs and maintenance		-	3,675	3,675
Transport and travelling		-	2,195	2,195
Utilities		-	5,601	5,601
GST expense		6	44,741	44,747
Others		11,303	8,134	19,437
		11,780	482,044	493,824

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24. MANAGEMENT EXPENSES (CONTINUED)

2015 (continued)	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
(a) Employee Benefits Expense			
Wages and salaries	-	149,764	149,764
Short term accumulating compensated absences	-	496	496
Social security contributions	-	977	977
Defined contribution plans - EPF	-	24,190	24,190
Other employee benefits expense	-	9,392	9,392
	-	184,819	184,819

(b) Directors' Remuneration

The details of remuneration receivable by Directors during the year are as follows:

	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Total RM'000
Executive:			
Salaries and other emoluments	-	2,246	2,246
Bonus	-	640	640
Estimated money value of benefits-in-kind	-	35	35
	-	2,921	2,921
Non-executive:			
Fees	-	1,168	1,168
Total directors' remuneration	-	4,089	4,089
Represented by:			
Directors' fees	-	1,168	1,168
Amount included in employee benefits expense	-	2,921	2,921
	-	4,089	4,089

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24. MANAGEMENT EXPENSES (CONTINUED)

2015 (continued)

(b) Directors' Remuneration

The remuneration, including benefits-in-kind, attributable to the CEO, who is a Director of the Company amounted to RM2,673,000 (2015: RM2,921,000).

The directors' fees are subject to the recommendation of the Board Nominations and Remuneration Committee to the Board of Directors for endorsement and approval by the shareholder at the AGM.

The number of Directors whose total remuneration received from the Company during the year fall within the following bands is analysed below:

	Number of Directors	
	2016	2015
Executive Director		
RM2,550,001 - RM3,000,000	1	1
Non-Executive Directors		
RM100,001 - RM150,000	-	1
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	2
RM250,001 - RM300,000	3	1
RM300,001 - RM350,000	1	1

Name	Status of directorship	Salaries RM'000	Bonus RM'000	2016 Benefits in kind RM'000	Fees RM'000	Total RM'000
Y Bhg Dato Koh Yaw Hui	Executive	1,998	640	35	-	2,673
Total executive director's remuneration		1,998	640	35	-	2,673
Mr Norman Ip	Non - Executive	-	-	-	339	339
Y Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	271	271
Y Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	271	271
Mr Ng Hon Soon	Non - Executive	-	-	-	276	276
Total non-executive directors remuneration		-	-	-	1,157	1,157
Total directors' remuneration		1,998	640	35	1,157	3,830

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24. MANAGEMENT EXPENSES (CONTINUED)

(b) Directors' Remuneration (continued)

Name	Status of directorship	Salaries RM'000	Bonus RM'000	2015 Benefits in kind RM'000	Fees RM'000	Total RM'000
Y Bhg Dato Koh Yaw Hui	Executive	2,246	640	35	-	2,921
Total executive director's remuneration		2,246	640	35	-	2,921
Mr Norman Ip	Non - Executive	-	-	-	211	211
Y Bhg Datuk Kamaruddin bin Taib	Non - Executive	-	-	-	226	226
Y Bhg Dato' Yeoh Beow Tit	Non - Executive	-	-	-	270	270
Mr Lee Kong Yip (Stepped down on 31 December 2015)	Non - Executive	-	-	-	324	324
Mr Ng Hon Soon	Non - Executive	-	-	-	137	137
Total non-executive directors remuneration		-	-	-	1,168	1,168
Total directors' remuneration		2,246	640	35	1,168	4,089

25. TAXATION

	Note	2016 RM'000	2015 RM'000
Taxation of life insurance business	(a)	221,491	144,680
Taxation of the Company	(b)	177,104	160,033
		398,595	304,713

(a) Taxation of life insurance business

Tax expense:			
Current		210,675	170,906
Deferred:			
- Life Insurance Fund	14	15,695	(32,868)
- Unit-linked	14	(4,879)	6,642
		221,491	144,680
Current income tax:			
Malaysian income tax		220,904	210,351
Overprovided in prior years		(10,316)	(39,516)
Tax on foreign dividend income		87	71
		210,675	170,906
Deferred tax:			
Relating to origination and reversal of temporary differences			
- Life Insurance Fund	14	15,695	(32,868)
- Unit-linked	14	(4,879)	6,642
		221,491	144,680

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25. TAXATION (CONTINUED)

(a) Taxation of life insurance business (continued)

The Malaysian tax charge on the life business is based on the method prescribed under the Income Tax Act 1967 for life business.

The income tax for the life fund is calculated based on tax rate of 8% (2015: 8%) of the assessable investment income net of allowable deductions for the financial year.

(b) Taxation of the Company

	2016 RM'000	2015 RM'000
Tax expense:		
Current	161,177	149,083
Deferred (Note 14)	15,927	10,950
	177,104	160,033
Current income tax:		
Malaysian income tax	204,696	201,428
Overprovided in prior years	(6,664)	(17,673)
Double taxation relief	(36,855)	(34,672)
	161,177	149,083
Deferred tax:		
Relating to origination and reversal of temporary differences (Note 14)	15,927	10,950
	177,104	160,033

The current income tax is calculated at 24% (2015: 25%) of the estimated assessable profit for the financial year.

The deferred tax for the Shareholder's Fund is calculated based on the tax rate of 24% (2015: 24%).

A reconciliation of income tax expenses applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Company are as follows:

	2016 RM'000	2015 RM'000
Profit before taxation	947,915	849,030
Taxation at Malaysian statutory tax rate of 24% (2015: 25%)	227,500	212,257
Income not subject to tax	(4,137)	(698)
Effect due to change in tax rate	(5,889)	198
Expenses not deductible for tax purposes	3,149	621
Overprovided in prior years	(6,664)	(17,673)
Double taxation relief	(36,855)	(34,672)
Tax expense for the year	177,104	160,033

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26. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the year attributed to ordinary equity holder of the Company by the number of ordinary shares in issue during the year.

	2016	2015
Profit attributable to ordinary equity holder (RM'000)	770,811	688,997
Number of shares in issue (RM'000)	100,000	100,000
Basic earnings per share (sen)	771	689

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of these financial statements.

27. DIVIDENDS

	2016 RM'000	2015 RM'000
Recognised during the financial year:		
Dividend on ordinary shares:		
- Final single tier dividend for 2015 of RM4.50 (2014: RM5.12) per share	450,000	512,000
- Interim single tier dividend for 2016 of RM2.73 (2015: NIL) per share	273,000	-
	723,000	512,000

At the forthcoming Annual General Meeting, a second and final single tier dividend in respect of the current financial year ended 31 December 2016 on 100,000,005 ordinary shares amounting to a total dividend of RM340,000,017 (RM3.40 per share) will be proposed for shareholder's approval.

The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholder, will be accounted for in the shareholder's equity as an appropriation of retained profits in the next financial year ending 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

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28. CASH USED IN OPERATING ACTIVITIES

	Note	2016 RM'000	2015 RM'000
Profit before taxation		947,915	849,030
<i>Adjustments for:</i>			
Taxation of life insurance business	25(a)	221,491	144,680
Investment income	19	(2,947,853)	(2,852,882)
Realised gains recorded in the income statement	20	(221,943)	(28,341)
Fair value gains recorded in the income statement	21	(385,670)	(16,968)
Depreciation of property and equipment	3, 24	63,862	50,913
Amortisation of prepaid land lease payments	5, 24	138	138
(Write-back of)/impairment loss on:			
Insurance and other receivables	8, 9	(2,615)	(2,122)
Quoted investments	6(b)	211,353	265,256
Provision for agents' retirement benefits	13	89,849	82,278
Property and equipment written-off	3, 24	-	173
Realised foreign exchange loss/(gain) on receipt of dividend		12	(6)
Realised foreign exchange gain on disposal of investments		(76,021)	(69,471)
Unrealised exchange (gain)/loss on derivatives		(60,904)	126,524
Unrealised exchange loss/(gain) on bonds		50,682	(133,759)
Cash flow before working capital changes		(2,109,704)	(1,584,557)
<i>Changes in working capital:</i>			
Purchases of FVTPL financial investments		(22,854,787)	(19,438,673)
Proceeds from disposals/maturities of FVTPL financial investments		21,570,189	17,653,658
Purchases of AFS financial investments		(4,556,762)	(3,644,487)
Proceeds from disposals/maturities of AFS financial investments		3,495,717	2,288,732
Increase in LAR		(144,380)	(62,262)
Decrease in reinsurance assets		17,302	7,956
Decrease/(increase) in insurance receivables		750	(817)
Increase in other receivables		(427,485)	(162,446)
Increase in insurance contract liabilities		3,392,626	2,994,042
(Decrease)/increase in other financial liabilities		(155,678)	35,498
Increase in insurance payables		212	20,192
(Decrease)/increase in other payables		(27,420)	44,279
Cash used in operating activities		(1,799,420)	(1,848,885)

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of the cash flows for payments of benefits and claims incurred for insurance contracts, which are operating activities of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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29. OPERATING LEASE ARRANGEMENTS

The Company (as lessor) has entered into operating lease agreements on its investment properties portfolio, certain self-occupied properties and office equipment. These leases have remaining lease terms of between 1 and 5 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions and certain contracts include contingent rental arrangements computed based on sales achieved by tenants.

The future minimum lease payments (payable)/receivable under operating leases contracted for as at the balance sheet date but not recognised as (payables)/receivables, are as follows:

	2016 RM'000	2015 RM'000
(a) The Company as lessee		
Not later than 1 year	(723)	(838)
Later than 1 year and not later than 5 years	(630)	(774)
	(1,353)	(1,612)
(b) The Company as lessor		
Not later than 1 year	48,852	52,819
Later than 1 year and not later than 5 years	23,573	42,129
	72,425	94,948

The lease payments and rental income including contingent rent recognised in the income statement during the financial year are disclosed in Note 24 and Note 19 respectively.

30. CAPITAL COMMITMENTS

	2016 RM'000	2015 RM'000
Capital expenditure		
Approved and contracted for:		
- Investment properties	432,340	432,332
- Property and equipment	90,889	68,843
Approved but not contracted for:		
Investment properties	92,221	92,376
	615,450	593,551

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30. CAPITAL COMMITMENTS (CONTINUED)

Included in the above disclosure are the following commitments by the Company to third-parties for purchase of properties in accordance with the Sales and Purchase Agreements ("SPAs").

Property type	Total commitment RM'million	Deposit paid * RM'million	Date of SPA
(a) Investment property	431 (2015: 431)	109	12 February 2013
(b) Owner occupied property	26	7	20 June 2016

* Being progress payment for property under development as disclosed in Note 9.

As stipulated in the SPAs, the commitment amount will be paid to the third-parties upon completion of construction of the properties.

31. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year:

	2016 RM'000	2015 RM'000
Transactions with related parties during the year:		
Income/(expense):		
Property rentals received (note i)		
- OCBC Bank (Malaysia) Berhad	803	803
- Overseas Assurance Corporation (Malaysia) Berhad	1,895	1,773
- Great Eastern Takaful Berhad	1,321	1,269
Service charges paid (note ii)		
- OCBC Bank (Malaysia) Berhad	(44,772)	(41,893)
- E2 Power Sdn Bhd	(6,130)	(3,886)
- E2 Power Pte Ltd	(2,059)	(1,422)
- Pacific Mutual Fund Bhd	(444)	(481)
- Lion Global Investor Ltd	(206)	(212)
Service charges received (note ii)		
- Overseas Assurance Corporation (Malaysia) Berhad	6,277	5,043
- Great Eastern Takaful Berhad	10,831	11,446
Premium paid (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	(2,556)	(2,568)

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31. RELATED PARTY DISCLOSURES (CONTINUED)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year: (continued)

	2016 RM'000	2015 RM'000
Transactions with related parties during the year: (continued)		
Income/(expense):		
Premium received (note iii)		
- Overseas Assurance Corporation (Malaysia) Berhad	253	228
- E2 Power Sdn Bhd	199	41
- OCBC Bank (Malaysia) Berhad	548	585
- OCBC Al-Amin Bank Berhad	52	-
- PAC Lease Berhad	93	85
- OCBC Capital (Malaysia) Sdn Bhd	-	1
- Pacific Mutual Fund Bhd	19	51
- Key Management Personnel	358	302
Claims paid		
- Key Management Personnel	(10)	-
Commission received		
- Overseas Assurance Corporation (Malaysia) Berhad	391	398
Commission fees paid		
- OCBC Bank (Malaysia) Berhad	(34,109)	(36,574)
- OCBC Securities Private Limited	(579)	(759)
- PAC Lease Berhad	(3)	(36)
Interest income (note iv)		
- OCBC Bank (Malaysia) Berhad	67,451	89,179
- PAC Lease Berhad	451	106
Dividend income from preference shares		
- OCBC Bank (Malaysia) Berhad	-	4,505
Bank charges		
- OCBC Bank (Malaysia) Berhad	(2,485)	(1,897)
Other services		
- OCBC Bank (Malaysia) Berhad	(10)	(64)
Policy payments		
- OCBC Bank (Malaysia) Berhad	(115)	(281)
Employee Share Purchase Plan		
- Oversea-Chinese Banking Corporation Ltd.	(503)	(310)
Employee Share Option Scheme paid		
- Oversea-Chinese Banking Corporation Ltd.	(516)	(463)
Deferred Share Plan		
- Oversea-Chinese Banking Corporation Ltd.	(851)	(538)

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31. RELATED PARTY DISCLOSURES (CONTINUED)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year: (continued)

	2016 RM'000	2015 RM'000
Transactions with related parties during the year: (continued)		
Income/(expense):		
Charges for group services (note v)		
- The Great Eastern Life Assurance Company Limited	(43,815)	(41,594)
Disposal of investments to		
- Overseas Assurance Corporation (Malaysia) Berhad	14,274	-
- Great Eastern Takaful Berhad	799	8,601
Purchase of investments from		
- Overseas Assurance Corporation (Malaysia) Berhad	(61,653)	(190,744)
- Great Eastern Takaful Berhad	(71,769)	(132,333)
Balances with related parties at year end:		
Due from/(due to):		
Investment in other debt securities		
- OCBC Bank (Malaysia) Berhad	103,911	105,436
Investment in medium term note		
- PAC Lease Berhad	10,003	10,008
Cash and bank balances		
- OCBC Bank (Malaysia) Berhad	49,156	9,066
Fixed deposits, structured deposits and repurchase agreements		
- OCBC Bank (Malaysia) Berhad	1,191,223	1,834,746
- OCBC Al-Amin Bank Berhad	181,300	158,300
Investment in cross currency swap (derivatives liabilities)		
- OCBC Bank (Malaysia) Berhad	28,291	100,277
Amount due from related companies:		
- Far Island Bay Sdn Bhd	53	47
- Overseas Assurance Corporation (Malaysia) Berhad	1,169	973
- Great Eastern Takaful Berhad	3,172	5,041
- Great Eastern Life (Vietnam) Company Limited	-	46
- P.T. Great Eastern Life Indonesia	-	52
Amount due to ultimate holding company:		
- Oversea-Chinese Banking Corporation Ltd	(1,148)	(648)
Amount due to intermediate holding company:		
- The Great Eastern Life Assurance Company Limited	(13,578)	(16,197)

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31. RELATED PARTY DISCLOSURES (CONTINUED)

- (a) In addition to the transactions detailed elsewhere in the financial statements, the Company had the following transactions and balances with related parties during the financial year: (continued)

	2016 RM'000	2015 RM'000
Balances with related parties at year end: (continued)		
Due from/(due to):		
Amount due (to)/from intermediate holding company:		
- Great Eastern Holdings Limited	-	(175)
Amount due to holding company:		
- Great Eastern Capital (M) Sdn Bhd	(135,493)	(135,515)

Related companies are companies within the OCBC group:

- (i) Rental of property to related parties are made according to normal market prices, terms and conditions.
- (ii) Payment of service charges to/from related parties are made according to normal market prices.
- (iii) The sale and purchase of insurance policies to/from related companies are made according to normal market prices and at terms and conditions no more favourable than those to other customers and employees.
- (iv) The interest income arose mainly from investment in fixed deposits, repurchase agreements, other debt securities and medium term note which are made according to prevailing market rates, terms and conditions.
- (v) Payment of Group function cost based on allocation rates approved by Group function heads.

(b) Compensation of Key Management Personnel

The remuneration of Directors and other members of key management during the year was as follows:

	2016 RM'000	2015 RM'000
Non-executive directors' fees	1,157	1,168
Short-term employee benefits	12,316	11,434
Post-employments benefits:		
Defined contribution plan - EPF	1,566	1,492
Share-based payment	774	1,259
	15,813	15,353
Share-based payment (in units)	154,118	134,819
Included in the total key management personnel remuneration are:		
Directors' remuneration (Note 24(b))	3,830	4,089

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all Directors, CEO, Senior Management Team, Chief Internal Auditor and Head of Compliance of the Company.

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32. FINANCIAL INSTRUMENTS BY CATEGORY

2016

						Assets not in scope of	
	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	MFRS 139 RM'000	Total RM'000
Assets							
Property and equipment	3	-	-	-	-	445,405	445,405
Investment properties	4	-	-	-	-	603,810	603,810
Prepaid land lease payments	5	-	-	-	-	16,528	16,528
Investments	6	44,629,736	15,655,208	9,919,312	70,204,256	-	70,204,256
Reinsurance assets	7	-	-	-	-	83,683	83,683
Insurance receivables	8	-	-	270,358	270,358	-	270,358
Other receivables	9	-	-	1,247,590	1,247,590	11,107	1,258,697
Cash and bank balances		-	-	63,245	63,245	-	63,245
Total assets		44,629,736	15,655,208	11,500,505	71,785,449	1,160,533	72,945,982
				Other financial liabilities	Sub-total	Liabilities not in scope of	Total
	Note	FVTPL RM'000		RM'000	RM'000	MFRS 139 RM'000	RM'000
Liabilities							
Insurance contract liabilities	11	-	-	-	-	68,555,859	68,555,859
Derivatives	12	285,082	-	-	285,082	-	285,082
Agents' retirement benefits	13	-	-	-	-	813,130	813,130
Deferred tax liabilities	14	-	-	-	-	523,135	523,135
Other financial liabilities	15	-	51,385	51,385	51,385	-	51,385
Insurance payables	16	-	224,879	224,879	224,879	-	224,879
Provision for taxation		-	-	-	-	95,395	95,395
Other payables	17	-	469,444	469,444	469,444	125,284	594,728
Total liabilities			285,082	745,708	1,030,790	70,112,803	71,143,593

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32. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

2015

	Note	FVTPL RM'000	AFS RM'000	LAR RM'000	Sub-total RM'000	Assets not in scope of MFRS 139 RM'000	Total RM'000
Assets							
Property and equipment	3	-	-	-	-	449,940	449,940
Investment properties	4	-	-	-	-	601,810	601,810
Prepaid land lease payments	5	-	-	-	-	16,666	16,666
Investments	6	43,189,083	14,739,463	9,702,326	67,630,872	-	67,630,872
Reinsurance assets	7	-	-	-	-	100,985	100,985
Insurance receivables	8	-	-	268,250	268,250	-	268,250
Other receivables	9	-	-	796,736	796,736	10,461	807,197
Cash and bank balances		-	-	186,861	186,861	-	186,861
Total assets		43,189,083	14,739,463	10,954,173	68,882,719	1,179,862	70,062,581
	Note	FVTPL RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 139 RM'000	Total RM'000	
Liabilities							
Insurance contract liabilities	11	-	-	-	65,462,222	65,462,222	
Derivatives	12	413,626	-	413,626	-	413,626	
Agents' retirement benefits	13	-	-	-	760,436	760,436	
Deferred tax liabilities	14	-	-	-	526,076	526,076	
Other financial liabilities	15	-	207,063	207,063	-	207,063	
Insurance payables	16	-	224,667	224,667	-	224,667	
Provision for taxation		-	-	-	79,729	79,729	
Other payables	17	-	497,471	497,471	124,677	622,148	
Total liabilities			413,626	929,201	1,342,827	66,953,140	68,295,967

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES

Governance Framework

Managing risk is an integral part of the Company's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Company shall not shy away from taking risk, but shall:

- Always operate within the risk appetite set by the Board; and
- Ensure commensurate reward for any risk taken.

The Risk Management and Compliance Department spearheads the development and implementation of the ERM Framework for the Company.

The Board Risk Management Committee ("BRMC"), constituted in 2003, provides the oversight on the risk management initiatives. Detailed risk management and oversight activities are undertaken by the following Management Committees comprising the Chief Executive Officer and key Senior Management Executives:

- Senior Management Team ("SMT")
- Asset-Liability Committee ("ALC")
- Product Development Committee ("PDC")
- IT Steering Committee ("ITSC")
- Financial Crime Committee ("FCC")

The SMT is responsible for providing leadership, direction and oversight with regard to all matters of the Company. The SMT is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework i.e., Group standards and guidelines.

The ALC is responsible for assisting the SMT in balance sheet management. Specifically, the ALC reviews and formulates technical frameworks, policies and methodology relating to balance sheet management. The ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework i.e., Group standards and guidelines.

The PDC oversees the product development and launch process. In addition, the PDC regularly reviews and monitors the performance of new and existing products.

The ITSC is responsible for the oversight of technology and information risks and any relevant regulatory and compliance risks relating to technology and information risks within the Company.

The FCC provides independent oversight of fraud investigation and anti-money laundering / countering of financing of terrorism (AML/CFT) review, and ensures that investigations and reviews are conducted in a manner that is fair, consistent and transparent.

On 3 August 2016, Bank Negara Malaysia ("BNM") issued a guideline on Corporate Governance which sets out a framework of principles to strengthen board composition rules; heighten expectations on the board and senior management to foster a corporate culture that promotes ethical, prudent and professional behaviour; and expand requirements on compensation structures to ensure that employees' incentives are aligned with prudent risk-taking, and clarifies expectations in respect of group-wide governance. The Company is working towards full compliance with the guideline by 2019.

NOTES TO THE FINANCIAL STATEMENTS

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Regulatory Framework

Insurers have to comply with the Financial Services Act 2013 (“FSA”) and regulations, including guidelines on investment limits as issued by BNM. The responsibility for the formulation, establishment and approval of the Company’s investment policies rests with the Board. The Board exercises oversight on the investments to safeguard the interests of the policyholders and the shareholder.

The FSA has a profound impact on the way the Company operates and it raises challenges to business departments to ensure compliance with the new regulatory requirements. The FSA provides greater sense of regulatory control and consumer protection as well as endowing BNM with wide powers to intervene with a financial institution’s business or operations to manage risk and ensure good governance.

Notwithstanding the impact of FSA on the Company’s overall operations and business conduct, the Company is in full compliance with the applicable provisions of the FSA.

BNM guideline on Compliance will become effective on 1 January 2017. The guideline aims to promote the safety and soundness of financial institutions by minimising financial, reputational and operational risks arising from legal and regulatory non-compliance. The Company is currently working towards full compliance with the guideline by 2017.

BNM guideline on Operational Risk will become effective on 10 May 2018. The guideline sets out the regulatory expectations for the management of operational risk by financial institutions. It aims to strengthen the governance, framework and processes for managing operational risk within financial institutions. Emphasis is also given to effective coordination in the management of operational risk with that of other risks (e.g. credit and market risks) to provide a holistic and integrated approach to a financial institution’s overall risk management strategy. The Company is currently working towards full compliance with the guideline.

Capital Management Framework

The Company’s capital management policy is to create shareholder value, deliver sustainable returns to shareholder, maintain a strong capital position with sufficient buffer to meet obligations to policyholders and regulatory requirements, and to make strategic investments for business growth. The Company has had no significant changes in the policies and processes relating to its capital structure during the year.

Under the Risk-Based Capital Framework for Insurers (“RBC”), the insurer has to maintain a capital adequacy level that is commensurate with its risk profiles. The Capital Adequacy Ratios of the Company remained well above the minimum capital requirement of 130% under the RBC Framework regulated by BNM.

The Internal Capital Adequacy Assessment Process (“ICAAP”) Framework came into effect on 1 September 2012. Under this Framework, the Company has to ensure adequate capital to meet its capital requirements on an ongoing basis. The key elements supporting the Framework include Board and Senior Management oversight, comprehensive risk assessment, individual target capital level and stress testing, sound capital management as well as ongoing monitoring, reporting and review of capital position. Capital management and contingencies policies were further developed and refined under the Framework to outline the approaches and principles under which the Company’s capital will be monitored and managed, as well as the corrective actions to be implemented at various critical capital levels. In addition, a risk appetite statement has been established to outline the Company’s capacity to take on risks to achieve its business objectives while managing the expectations of key stakeholders.

The following sections provide details regarding the Company’s exposure to the insurance and key financial risks and the objectives, policies and processes for the management of these risks.

There has been no major change to the Company’s exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Insurance Risk

The principal activity of the Company is in the underwriting of life insurance business including investment-linked business.

The Company's underwriting strategy is designed to ensure that these risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the selective use of medical screening in order to ensure that product pricing takes into account of the current health conditions and family medical history, regular review of the actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are also set in place to enforce appropriate risk selection criteria.

Insurance risk comprises both actuarial and underwriting risks resulting from the pricing and acceptance of insurance contracts. The risks arise when actual claims experience is different from the assumptions used in setting the prices for products and establishing the technical provisions and liabilities for claims. Sources of assumptions affecting insurance risk include policy lapses and policy claims, such as mortality, morbidity and expenses.

The Company utilises reinsurance to manage the mortality and morbidity risks. The Company's reinsurance management strategy and policy are reviewed annually by the SMT and BRMC, and approved by the Board. Reinsurance structures are set based on the type of risk. Catastrophe reinsurance is procured to limit catastrophic losses.

Only reinsurers meeting a minimum credit rating of Standard & Poor's "A-", or its equivalent, including internal credit rating, are considered when deciding on which reinsurers to reinsure the Company's risk. The Company limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

The SMT reviews the actual experience of mortality, morbidity, lapses and surrenders, as well as expenses to ensure that appropriate policies, guidelines and limits put in place to manage these risks remain adequate and appropriate.

A substantial portion of the Company's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonuses and dividends payable to the policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when the investment markets perform poorly, or claims experience is higher than expected.

For investment-linked funds, the risk exposure for the Company is limited only to the underwriting aspect as all investment risks are borne by the policyholders.

Stress Testing ("ST") is performed in accordance with BNM requirements. The purpose of the ST is to test the solvency of the life insurance fund under the various scenarios according to regulatory guidelines, simulating drastic changes in major parameters such as new business volume, investment environment, mortality/morbidity patterns and lapse rates.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Insurance Risk (continued)

Table 33(A): The table below shows the concentration of actuarial liabilities and net asset value attributable to the policyholders by type of contract as at the balance sheet date:

Life Insurance Fund	With DPF RM'000	Gross Without DPF RM'000	Total RM'000	Reinsurance		Total RM'000	Net Total RM'000
				With DPF RM'000	Without DPF RM'000		
2016							
Whole life	35,700,279	6,189,216	41,889,495	-	-	-	41,889,495
Endowment	9,278,491	1,451,562	10,730,053	-	-	-	10,730,053
Term	(1,297)	353,763	352,466	-	(44,760)	(44,760)	307,706
Accident and health	5,551	106,780	112,331	-	(9,748)	(9,748)	102,583
Annuity	-	44,380	44,380	-	-	-	44,380
Others	1,573,070	182,455	1,755,525	-	-	-	1,755,525
Total	46,556,094	8,328,156	54,884,250	-	(54,508)	(54,508)	54,829,742

Life Insurance Fund

2015							
Whole life	31,551,283	5,629,247	37,180,530	-	-	-	37,180,530
Endowment	8,770,037	1,412,362	10,182,399	-	-	-	10,182,399
Term	(1,711)	365,401	363,690	-	(43,603)	(43,603)	320,087
Accident and health	6,202	120,788	126,990	-	-	-	126,990
Annuity	-	25,938	25,938	-	-	-	25,938
Others	1,503,750	161,796	1,665,546	-	-	-	1,665,546
Total	41,829,561	7,715,532	49,545,093	-	(43,603)	(43,603)	49,501,490

The sensitivity analysis below shows the impact of change in key parameters on the value of gross and net insurance contract liabilities, surplus of life insurance funds, profit before taxation and shareholder's equity.

Sensitivity analysis produced is based on parameters set out as follows:

Change in Assumptions

(a) Scenario 1 – Mortality and major illness	+ 25% for all future years
(b) Scenario 2 – Mortality and major illness	- 25% for all future years
(c) Scenario 3 – Health and disability	+ 25% for all future years
(d) Scenario 4 – Health and disability	- 25% for all future years
(e) Scenario 5 – Lapse and surrender rates	+ 25% for all future years
(f) Scenario 6 – Lapse and surrender rates	- 25% for all future years
(g) Scenario 7 – Expenses	+ 30% for all future years

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Insurance Risk (continued)

Table 33(B): The table below shows the insurance risk sensitivity analysis on the gross and net insurance contract liabilities, surplus of life insurance funds, profit before taxation and shareholder's equity.

	Impact on Gross Liabilities RM'000	Impact on Net Liabilities RM'000	Impact on Surplus RM'000	Impact on Profit Before Taxation RM'000	Impact on Equity* RM'000
	← Increase/(Decrease) →			← (Decrease)/Increase →	
2016					
Scenario 1 – Mortality and major illness	1,529,226	1,497,804	(1,497,804)	(287,091)	(218,189)
Scenario 2 – Mortality and major illness	(1,598,874)	(1,567,896)	1,567,896	241,264	183,361
Scenario 3 – Health and disability	189,745	186,276	(186,276)	(48,563)	(36,908)
Scenario 4 – Health and disability	(185,494)	(182,030)	182,030	42,902	32,606
Scenario 5 – Lapse and surrender rates	(833,258)	(830,520)	830,520	(26,370)	(20,041)
Scenario 6 – Lapse and surrender rates	990,457	987,330	(987,330)	31,747	24,128
Scenario 7 – Expenses	386,252	386,252	(386,252)	(47,410)	(36,032)
2015					
Scenario 1 – Mortality and major illness	1,324,284	1,291,147	(1,291,147)	(236,902)	(177,676)
Scenario 2 – Mortality and major illness	(1,384,170)	(1,351,588)	1,351,588	205,890	154,418
Scenario 3 – Health and disability	176,464	172,809	(172,809)	(51,405)	(38,554)
Scenario 4 – Health and disability	(167,034)	(163,386)	163,386	40,862	30,647
Scenario 5 – Lapse and surrender rates	(687,793)	(684,908)	684,908	(22,408)	(16,806)
Scenario 6 – Lapse and surrender rates	836,004	832,701	(832,701)	26,799	20,099
Scenario 7 – Expenses	344,490	344,490	(344,490)	(37,731)	(28,298)

* Impact on equity is after tax of 24% (2015: 25%).

The above analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net insurance contract liabilities, surplus of life insurance fund, profit before taxation and shareholder's equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

Market and Credit Risk

Market risk arises when the market value of assets and liabilities do not move consistently as financial markets change. Changes in interest rates, foreign exchange rates, equity prices and alternative investment prices can impact present and future investment earnings of the insurance operations as well as shareholder's equity.

The Company is exposed to market risk in the Shareholder's Fund as well as mismatch risk between the assets and liabilities of the Life Insurance Funds. The ALC actively manages market risk through setting and monitoring of the investment policy, asset allocation, portfolio construction and risk measurement as well as approving hedging strategies. In the case of the investment linked funds, investment risks are borne by the policyholders and the Company does not assume any liability in the event of occurrence of loss or write-down in market valuation. Nevertheless, the revenues of the insurance operations are linked to the value of the underlying funds since this has an impact on the level of fees earned.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Company's risk management principles and philosophies. Compliance with established financial risk limits forms an integral part of the risk governance and financial reporting framework. Management of market risk arising from changes in interest rates and currency exchange rates, volatility in equity price, as well as other risks like credit and liquidity risks are briefly described as follows:

(a) Interest rate risk (including asset liability mismatch)

The Company is exposed to interest rate risk through (i) investments in fixed income instruments in both the Shareholder's Fund and the Life Insurance Funds and (ii) insurance contract liabilities in the Life Insurance Funds. Since the Shareholder's Fund has exposure to investments in fixed income instruments but no exposure to insurance contract liabilities, it will incur an economic loss when interest rates rise. For the Life Insurance Funds, given the long duration of contract liabilities and the uncertainty of cash flows, it is difficult to source assets that will perfectly match the insurance contract liabilities. This results in a net interest rate risk or asset liability mismatch risk, which is managed and monitored by the ALC. On the other hand, the Life Insurance Funds are likely to incur economic loss when interest rates drop since the duration of insurance contract liabilities are generally longer than the duration of the fixed income assets.

(b) Foreign currency risk

Investments denominated in foreign currencies are limited to 10% of individual funds regardless of country, subject to the foreign investments being in jurisdictions with sovereign ratings at least equivalent to that of Malaysia, as prescribed by the regulator. (Refer to Table 33(C)).

(c) Equity price risk

Exposure to equity price risk exists in assets. Asset exposure exists through direct equity investment, where the Company through its investments in the Shareholder's Fund and Life Insurance Funds, bears all or most of the volatility in returns and investment performance risk.

A robust monitoring process is in place to manage equity risk by activating appropriate risk management strategies to limit the downside risk at certain pre-determined levels. Limits are set for single security holdings as a percentage of equity holdings.

(d) Credit spread risk

Exposure to credit spread risk exists in the Company's investments in bonds. Credit spread is the difference between the corporate yields against risk-free rate of the same tenure. When spreads widen, it generally implies that the market is factoring a deterioration in the creditworthiness of the bonds. A widening in credit spreads will result in a fall in the values of the Company's bond portfolio.

(e) Alternative investment risk

The Company is exposed to alternative investment risk through investments in real estate. Due to the special nature of this risk, every property deal is reviewed by the BRMC regardless of its value, but subject to the approval by the Board. The ALC assists in deliberating matters relating to property, including real estate guidelines, risk management, performance, expenditure, operations and facilities management.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(f) Cash flow and liquidity risk

Cash flow and liquidity risk arises when a company is unable to meet its obligations associated with financial instruments when required to do so. This typically happens when the investments in the portfolio are illiquid. Demands for funds can usually be met through ongoing normal operations, premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by negative publicity, deterioration of the economy, reports of problems in other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are monitored and a reasonable amount of assets are kept in liquid instruments at all times.

The projected cash flows from the in-force insurance contract liabilities consist of renewal premiums, expenses, commissions, claims, maturities and surrenders. Renewal premiums, expenses, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain although it has been quite stable over the past several years.

Unexpected liquidity demands are managed through a combination of product design, diversification limits, investment strategies and systematic monitoring. The existence of surrender penalty in certain insurance contracts also protects the Company from losses due to unexpected surrender trends as well as reduces the sensitivity of surrenders to changes in interest rates. (Refer to Table 33(D1) and (D2)).

(g) Credit risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to discharge an obligation. The Company is exposed to credit risk through (i) investment in cash, deposits and bonds, (ii) corporate lending activities and (iii) exposure to counterparty's credit in derivatives transactions and reinsurance contracts. For all three types of exposures, financial loss may materialise as a result of credit default by the borrower or counterparty. For investment in bonds, financial loss may materialise as a result of the widening credit spread or downgrade of credit rating.

The task of evaluating and monitoring credit risk is undertaken by the Credit Risk Committee ("CRC"), which in turn reports to the ALC. The Company has internal limits by issuer or counterparty and by credit ratings. These limits are actively monitored to manage the credit and concentration risk. These limits are reviewed on a regular basis. The creditworthiness of reinsurers, issuers and banks is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available financial information. (Refer to Table 33(E1) and (E2)).

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year.

Credit risk in respect of customer balances incurred on non-payment of premiums predominantly persists during the grace period specified in the policy document, when the policy is either paid up or terminated. Credit risk in respect of group insurance outstanding premium is being actively monitored.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(g) Credit risk (continued)

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and the valuation parameters. Credit risk is also mitigated by entering into collateral agreements. The Company monitors the market value of the collateral, request additional collateral when needed and performs an impairment valuation, whenever applicable. The fair value of collateral, held by the Company as lender, for which it is entitled to sell or pledge in the event of default is as follows:

RM'000	Type of Collateral	Carrying Amount of Loans	Fair Value of Collateral
2016			
Mortgage loans	Properties	1,995,372	4,110,417
Secured loans			
- Vehicle loans	Vehicle	3,850	3,850
- Government guaranteed loans	Nil	1,281,180	-
Policy loans	Cash value of policies	4,205,268	8,735,692
		7,485,670	12,849,959
2015			
Mortgage loans	Properties	1,819,183	4,472,102
Secured loans			
- Vehicle loans	Vehicle	3,902	3,902
- Government guaranteed loans	Nil	1,581,534	-
Policy loans	Cash value of policies	4,083,316	8,394,958
		7,487,935	12,870,962

Transactions are conducted under terms and conditions that are usual and customary to standard securities borrowing and lending activities.

(h) Concentration risk

An important element of managing both market and credit risk is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place and monitored to manage this risk. These limits are reviewed on a regular basis by the ALC. The Company's exposures are within the concentration limits set by the regulator. The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(i) Sensitivity analysis on financial risks

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate fair value and/or amortised cost of financial assets, but to demonstrate the impact due to changes in variables, these variables have to be changed on an individual basis. It should be noted that the movements in these variables are non-linear.

The impact on net profit after taxation represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the income statement, and changes in valuation of insurance contract liabilities. The impact on equity represents the impact on net profit after taxation and the effect on changes in fair value reserves.

2016 RM (millions)	Impact on Gross Actuarial Liabilities	Impact on Net Actuarial Liabilities	Impact on Profit After Taxation	Impact on Equity*
Change in variables				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-7.5
- KLCI	0.0	0.0	0.0	+/-23.3
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-11.4	+/-15.0
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	+/-2.2	+/-6.9
<u>d) Interest Rate</u>	(Decrease)/Increase			
MGS Yield curve +100 bps	(702.7)	(700.6)	(71.6)	(93.4)
MGS Yield curve -100 bps	604.1	601.8	66.2	91.0
PAR Yield curve +100 bps	(4,848.9)	(4,848.9)	0.0	0.0
PAR Yield curve -100 bps	6,187.9	6,187.9	0.0	0.0
<u>e) Credit Spread</u>				
Spread +100 bps	0.0	0.0	(134.4)	(155.7)
Spread - 100 bps	0.0	0.0	153.7	177.8

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

(i) Sensitivity analysis on financial risks (continued)

2015 RM (millions)	Impact on Gross Actuarial Liabilities	Impact on Net Actuarial Liabilities	Impact on Profit After Taxation	Impact on Equity*
Change in variables				
<u>a) Equity</u>				
+/-20% - STI	0.0	0.0	0.0	+/-5.4
- KLCI	0.0	0.0	0.0	+/-25.8
<u>b) Alternative Investment</u>				
+/-10%	0.0	0.0	+/-5.5	+/-7.2
<u>c) Foreign Currency</u>				
+/-5%	0.0	0.0	0.0	+/-0.0
<u>d) Interest Rate</u>	(Decrease)/Increase			
MGS Yield curve +100 bps	(513.3)	(511.1)	(14.7)	(65.3)
MGS Yield curve -100 bps	592.0	589.6	7.2	60.9
PAR Yield curve +100 bps	(3,885.3)	(3,885.3)	0.0	0.0
PAR Yield curve -100 bps	4,843.3	4,843.3	0.0	0.0
<u>e) Credit Spread</u>				
Spread +100 bps	0.0	0.0	(111.3)	(132.4)
Spread - 100 bps	0.0	0.0	125.7	149.3

* The impact on equity reflects the after tax impact, when applicable.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(C): The table below shows the foreign exchange position of the Company's financial/insurance assets and liabilities by major currencies.

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2016					
Assets					
Property and equipment	445,405	-	-	-	445,405
Investment properties	603,810	-	-	-	603,810
Prepaid land lease payments	16,528	-	-	-	16,528
Investments					
Malaysian government securities	7,395,653	-	-	-	7,395,653
Debt securities	33,115,477	443,917	548,262	-	34,107,656
Equity securities	14,007,645	1,869,973	10,572	1,921,426	17,809,616
Unit and property trust funds	699,930	265,644	-	6,445	972,019
Loans	7,486,825	-	-	-	7,486,825
Deposits with financial institutions	2,432,487	-	-	-	2,432,487
Reinsurance assets	83,683	-	-	-	83,683
Insurance receivables	270,358	-	-	-	270,358
Other receivables	1,258,697	-	-	-	1,258,697
Cash and bank balances	56,852	2,589	609	3,195	63,245
Total assets	67,873,350	2,582,123	559,443	1,931,066	72,945,982
Liabilities					
Insurance contract liabilities	68,555,859	-	-	-	68,555,859
Derivatives	-	193,535	91,547	-	285,082
Agents' retirement benefits	813,130	-	-	-	813,130
Deferred tax liabilities	523,135	-	-	-	523,135
Other financial liabilities	51,385	-	-	-	51,385
Insurance payables	224,879	-	-	-	224,879
Provision for taxation	95,395	-	-	-	95,395
Other payables	594,728	-	-	-	594,728
Total liabilities	70,858,511	193,535	91,547	-	71,143,593

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(C): The table below shows the foreign exchange position of the Company's financial/insurance assets and liabilities by major currencies (continued).

	RM RM'000	SGD RM'000	USD RM'000	Others RM'000	Total RM'000
2015					
Assets					
Property and equipment	449,940	-	-	-	449,940
Investment properties	601,810	-	-	-	601,810
Prepaid land lease payments	16,666	-	-	-	16,666
Investments					
Malaysian government securities	6,540,013	-	-	-	6,540,013
Debt securities	32,355,136	729,030	480,344	-	33,564,510
Equity securities	14,303,375	1,481,276	9,490	1,347,966	17,142,107
Unit and property trust funds	509,461	140,845	31,610	-	681,916
Loans	7,488,195	-	-	-	7,488,195
Deposits with financial institutions	2,214,131	-	-	-	2,214,131
Reinsurance assets	100,985	-	-	-	100,985
Insurance receivables	268,250	-	-	-	268,250
Other receivables	807,197	-	-	-	807,197
Cash and bank balances	12,830	70,664	6,658	96,709	186,861
Total assets	65,667,989	2,421,815	528,102	1,444,675	70,062,581
Liabilities					
Insurance contract liabilities	65,462,222	-	-	-	65,462,222
Derivatives	-	301,029	112,597	-	413,626
Agents' retirement benefits	760,436	-	-	-	760,436
Deferred tax liabilities	526,076	-	-	-	526,076
Other financial liabilities	207,063	-	-	-	207,063
Insurance payables	224,667	-	-	-	224,667
Provision for taxation	79,729	-	-	-	79,729
Other payables	622,148	-	-	-	622,148
Total liabilities	67,882,341	301,029	112,597	-	68,295,967

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial/insurance liabilities and the expected recovery or settlement of financial/insurance assets based on remaining undiscounted contractual cash flows.

For insurance contract liabilities and reinsurance assets, maturity profiles are determined based on the estimated timing of net cash outflows from the recognised insurance liabilities.

Unit-linked liabilities are repayable or transferable on demand and are included in the "up to a year" column.

	Carrying value RM'000	Up to a Year* RM'000	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2016						
Investments:						
LAR	9,919,312	3,292,154	2,187,545	861,055	4,205,268	10,546,022
AFS	15,655,208	22,270	154,500	399,391	15,272,188	15,848,349
FVTPL	44,629,736	4,298,808	16,371,362	39,026,864	3,486,545	63,183,579
Reinsurance assets	83,683	4,985	15,803	20,306	42,589	83,683
Insurance receivables	270,358	264,927	5,431	-	-	270,358
Other receivables	1,247,590	1,046,886	110,984	2,920	86,800	1,247,590
Cash and bank balances	63,245	63,245	-	-	-	63,245
Total undiscounted financial/ insurance assets	71,869,132	8,993,275	18,845,625	40,310,536	23,093,390	91,242,826
Insurance contract liabilities:						
With DPF	59,993,215	747,798	5,061,276	40,747,017	13,437,124	59,993,215
Without DPF	8,562,644	844,590	213,726	1,436,374	6,067,954	8,562,644
Derivatives	285,082	193,535	91,547	-	-	285,082
Other financial liabilities	51,385	50,806	579	-	-	51,385
Insurance payables	224,879	209,715	15,164	-	-	224,879
Other payables	469,444	451,657	17,787	-	-	469,444
Total undiscounted financial/ insurance liabilities	69,586,649	2,498,101	5,400,079	42,183,391	19,505,078	69,586,649
Total liquidity surplus/(gap)	2,282,483	6,495,174	13,445,546	(1,872,855)	3,588,312	21,656,177

* Expected utilisation or settlement within 12 months from the Balance Sheet date.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(D1): The following table shows the maturity profile of the Company's financial/insurance liabilities and the expected recovery or settlement of financial/insurance assets based on remaining undiscounted contractual cash flows (continued).

	Carrying value RM'000	Up to a Year*	1 - 5 Years RM'000	> 5 Years RM'000	No maturity date RM'000	Total RM'000
2015						
Investments:						
LAR	9,702,326	2,692,446	2,968,992	609,404	4,083,316	10,354,158
AFS	14,739,463	27,987	227,096	425,129	14,242,965	14,923,178
FVTPL	43,189,083	4,801,247	17,740,530	33,905,620	3,539,183	59,986,580
Reinsurance assets	100,985	4,873	16,711	22,019	57,382	100,985
Insurance receivables	268,250	265,281	2,969	-	-	268,250
Other receivables	796,736	706,494	2,151	2,920	85,171	796,736
Cash and bank balances	186,861	186,861	-	-	-	186,861
Total undiscounted financial/ insurance assets	68,983,704	8,685,189	20,958,449	34,965,092	22,008,018	86,616,749
Insurance contract liabilities:						
With DPF	57,521,153	924,517	5,264,736	35,640,308	15,691,592	57,521,153
Without DPF	7,941,069	800,755	240,767	1,353,605	5,545,942	7,941,069
Derivatives	413,626	176,070	237,556	-	-	413,626
Other financial liabilities	207,063	206,485	578	-	-	207,063
Insurance payables	224,667	191,220	33,447	-	-	224,667
Other payables	497,471	480,163	17,308	-	-	497,471
Total undiscounted financial/ insurance liabilities	66,805,049	2,779,210	5,794,392	36,993,913	21,237,534	66,805,049
Total liquidity surplus/(gap)	2,178,655	5,905,979	15,164,058	(2,028,820)	770,483	19,811,699

* Expected utilisation or settlement within 12 months from the Balance Sheet date.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(D2): The following table shows the current/non current classification of assets and liabilities of the Company.

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
2016				
Property and equipment	-	445,405	-	445,405
Investment properties	-	603,810	-	603,810
Prepaid lease payments	-	16,528	-	16,528
Investments:				
LAR	2,446,686	6,811,926	660,700	9,919,312
AFS	15,272,188	383,020	-	15,655,208
FVTPL	2,363,538	37,093,069	5,173,129	44,629,736
Reinsurance assets	47,574	36,109	-	83,683
Insurance receivables	264,927	5,431	-	270,358
Other receivables	1,117,351	113,904	27,442	1,258,697
Cash and bank balances	61,485	-	1,760	63,245
Total assets	21,573,749	45,509,202	5,863,031	72,945,982
Insurance contract liabilities:				
With DPF	14,184,922	45,808,293	-	59,993,215
Without DPF	1,079,074	1,650,100	5,833,470	8,562,644
Derivatives	193,535	91,547	-	285,082
Agents' retirement benefits	240,766	572,364	-	813,130
Deferred tax liabilities	507,697	-	15,438	523,135
Other financial liabilities	40,523	579	10,283	51,385
Insurance payables	209,715	15,164	-	224,879
Provision for taxation	90,839	-	4,556	95,395
Other payables	576,632	17,787	309	594,728
Total liabilities	17,123,703	48,155,834	5,864,056	71,143,593

* Expected utilisation or settlement within 12 months from the Balance Sheet date.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(D2): The following table shows the current/non current classification of assets and liabilities of the Company (continued).

	Current* RM'000	Non-current RM'000	Unit-linked RM'000	Total RM'000
2015				
Property and equipment	-	449,940	-	449,940
Investment properties	-	601,810	-	601,810
Prepaid lease payments	-	16,666	-	16,666
Investments:				
LAR	1,388,068	7,483,098	831,160	9,702,326
AFS	14,265,018	474,445	-	14,739,463
FVTPL	2,823,662	35,843,161	4,522,260	43,189,083
Reinsurance assets	62,255	38,730	-	100,985
Insurance receivables	265,281	2,969	-	268,250
Other receivables	788,541	5,071	13,585	807,197
Cash and bank balances	185,207	-	1,654	186,861
Total assets	19,778,032	44,915,890	5,368,659	70,062,581
Insurance contract liabilities:				
With DPF	16,616,109	40,905,044	-	57,521,153
Without DPF	1,026,292	1,594,372	5,320,405	7,941,069
Derivatives	176,070	237,556	-	413,626
Agents' retirement benefits	213,371	547,065	-	760,436
Deferred tax liabilities	505,759	-	20,317	526,076
Other financial liabilities	194,524	578	11,961	207,063
Insurance payables	191,220	33,447	-	224,667
Provision for taxation	70,041	-	9,688	79,729
Other payables	603,737	17,308	1,103	622,148
Total liabilities	19,597,123	43,335,370	5,363,474	68,295,967

* Expected utilisation or settlement within 12 months from the Balance Sheet date.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(E1): The table below shows the maximum exposure to credit risk for the components of the Balance Sheet. For derivatives, the fair value shown on the Balance Sheet represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the change in value.

	Note	Shareholder's Fund RM'000	Life Insurance Fund RM'000	Unit-linked RM'000	Total RM'000
2016					
LAR:	6(a)				
Deposits with financial institutions		42,400	1,729,387	660,700	2,432,487
Policy loans		-	4,205,268	-	4,205,268
Mortgage loans		33,910	1,961,462	-	1,995,372
Secured loans		10,009	1,275,021	-	1,285,030
Unsecured loans		1,147	8	-	1,155
AFS financial investments:	6(b)				
Malaysian government securities		7,715	-	-	7,715
Debt securities		375,305	-	-	375,305
Financial investments at FVTPL:	6(c)				
Malaysian government securities		-	7,130,488	257,450	7,387,938
Debt securities		34,312	32,270,583	1,427,456	33,732,351
Reinsurance assets	7	-	83,683	-	83,683
Insurance receivables	8	-	270,358	-	270,358
Other receivables	9	9,076	1,211,072	27,442	1,247,590
		513,874	50,137,330	2,373,048	53,024,252
2015					
LAR:	6(a)				
Deposits with financial institutions		17,400	1,365,571	831,160	2,214,131
Policy loans		-	4,083,316	-	4,083,316
Mortgage loans		27,380	1,791,803	-	1,819,183
Secured loans		15,012	1,570,424	-	1,585,436
Unsecured loans		251	9	-	260
AFS financial investments:	6(b)				
Malaysian government securities		42,314	-	-	42,314
Debt securities		432,131	-	-	432,131
Financial investments at FVTPL:	6(c)				
Malaysian government securities		-	6,487,719	9,980	6,497,699
Debt securities		23,574	32,143,533	965,272	33,132,379
Reinsurance assets	7	-	100,985	-	100,985
Insurance receivables	8	-	268,250	-	268,250
Other receivables	9	13,249	769,902	13,585	796,736
		571,311	48,581,512	1,819,997	50,972,820

NOTES TO THE FINANCIAL STATEMENTS

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Table 33(E2): The table below provides information regarding the credit risk exposure of the Company by classifying assets according to credit ratings of counterparties.

	← Neither past-due nor impaired →						
	Government guaranteed and Low risk bonds RM'000	Investment grade*(BBB to AAA) RM'000	Non- Investment grade* (C to BB) RM'000	Not rated RM'000	Unit-linked RM'000	Past-due** RM'000	Total RM'000
2016							
LAR:							
Deposits with financial institutions	-	1,481,737	-	290,050	660,700	-	2,432,487
Policy loans	-	-	-	4,205,268	-	-	4,205,268
Mortgage loans	-	-	-	1,995,372	-	-	1,995,372
Secured loans	1,281,180	-	-	3,850	-	-	1,285,030
Unsecured loans	-	-	-	1,155	-	-	1,155
AFS financial investments:							
Malaysian government securities	7,715	-	-	-	-	-	7,715
Debt securities	146,889	208,123	-	20,293	-	-	375,305
Financial investments at FVTPL:							
Malaysian government securities	7,130,488	-	-	-	257,450	-	7,387,938
Debt securities	12,151,952	18,220,147	-	1,932,796	1,427,456	-	33,732,351
Reinsurance assets	-	83,683	-	-	-	-	83,683
Insurance receivables	-	-	-	266,940	-	3,418	270,358
Other receivables	207,535	202,904	-	807,388	27,442	2,321	1,247,590
Total credit risk exposure	20,925,759	20,196,594	-	9,523,112	2,373,048	5,739	53,024,252
2015							
LAR:							
Deposits with financial institutions	-	1,172,971	-	210,000	831,160	-	2,214,131
Policy loans	-	-	-	4,083,316	-	-	4,083,316
Mortgage loans	-	-	-	1,819,183	-	-	1,819,183
Secured loans	1,581,534	-	-	3,902	-	-	1,585,436
Unsecured loans	-	-	-	260	-	-	260
AFS financial investments:							
Malaysian government securities	42,314	-	-	-	-	-	42,314
Debt securities	97,154	314,938	-	20,039	-	-	432,131
Financial investments at FVTPL:							
Malaysian government securities	6,487,719	-	-	-	9,980	-	6,497,699
Debt securities	10,565,413	19,915,264	-	1,686,430	965,272	-	33,132,379
Reinsurance assets	-	100,985	-	-	-	-	100,985
Insurance receivables	-	-	-	256,162	-	12,088	268,250
Other receivables	186,334	210,196	-	384,154	13,585	2,467	796,736
Total credit risk exposure	18,960,468	21,714,354	-	8,463,446	1,819,997	14,555	50,972,820

* Based on public ratings assigned by external rating agencies including RAM and MARC.

** An aging analysis for financial assets past due but not impaired is provided below.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Market and Credit Risk (continued)

Aging Analysis of financial assets past due:

Table 33(E2) (continued):

	← Past-due but not impaired →					
	< 6 Months RM'000	6 Months to 12 Months RM'000	>12 Months RM'000	Total RM'000	Past Due and impaired RM'000	Total RM'000
2016						
Insurance receivables	2,264	109	1,045	3,418	2,604	6,022
Other receivables	1,764	106	451	2,321	777	3,098
	4,028	215	1,496	5,739	3,381	9,120
2015						
Insurance receivables	6,523	4,701	864	12,088	5,462	17,550
Other receivables	2,369	63	35	2,467	534	3,001
	8,892	4,764	899	14,555	5,996	20,551

Receivables that are neither past due nor impaired

Receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

Receivables that are past due but not impaired

The Company has receivables amounting to RM5,739,000 (31 December 2015: RM14,555,000) that are past due at reporting date but not impaired.

At reporting date, receivables amounting to RM2,264,000 (31 December 2015: RM6,523,000) have been arranged to be settled. The remaining balances of receivables that are past due but not impaired are unsecured in nature.

Receivables that are impaired

Receivables that are impaired are individually assessed and determined to be impaired relates to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

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33. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Company's objectives arising from inadequate or failed internal processes and systems, human factors or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the Company's objectives, via legal or regulatory sanctions or financial losses, as a result of its failure to comply with applicable laws, regulations, rules and standards, which are defined as:

- Laws, regulations and rules governing insurance business and financial activities undertaken by the Company
- Codes of practice promoted by industry associations
- Internal standards and guidelines

The day-to-day management of operational and compliance risks is effected through the maintenance of comprehensive internal controls, supported by an infrastructure of systems and procedures to monitor processes and transactions. The SMT reviews and monitors operational and compliance issues at its monthly meetings. The Internal Audit team reviews the systems of internal control to assess their effectiveness and continued relevance, and report at least quarterly to the Audit Committee. As an added measure, the risk appetite statement explicitly sets the Company's tolerance level to financial loss arising from operational and compliance risks.

Technology Risk

Technology risk is any event or action that may potentially impact partly or completely the achievement of the Company objectives resulting from inadequate or failed technology controls, processes or human behaviour.

The Company adopts a risk based approach in managing technology risks relating to data loss/leakage, system security vulnerabilities, inferior system acquisition and development, system breakdown and availability, outsourced vendor service delivery, privileged access misuse and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by the Internal Audit team on the adequacy and effectiveness of the processes to manage technology risks. The risk appetite statement also explicitly sets the Company's tolerance level to financial loss arising from technology risks.

34. FAIR VALUES OF ASSETS AND LIABILITIES

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's assets and liabilities, other than those of which, the carrying amounts are reasonable approximations of fair values:

	Carrying Amount		Fair Value	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Financial assets:				
<u>AFS financial assets (Note 6(b)):</u>				
Equity securities:				
Quoted in Malaysia	10,726,292	10,863,484	10,726,292	10,863,484
Quoted outside Malaysia	3,705,811	2,788,690	3,705,811	2,788,690
Malaysian government securities	7,715	42,314	7,715	42,314
Debt securities:				
Unquoted in Malaysia	348,547	406,989	348,547	406,989
Quoted outside Malaysia	26,758	25,142	26,758	25,142
Unit and property trust funds:				
Quoted in Malaysia	560,679	433,799	560,679	433,799
Quoted outside Malaysia	270,940	170,579	270,940	170,579

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34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

Set out below, is a comparison by class of the carrying amounts and fair values of the Company's assets and liabilities, other than those of which, the carrying amounts are reasonable approximations of fair values (continued):

	Carrying Amount		Fair Value	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Financial assets (continued):				
<u>FVTPL - Held for trading (Note 6(c)):</u>				
Equity securities:				
Quoted in Malaysia	3,272,887	3,431,425	3,272,887	3,431,425
Quoted outside Malaysia	96,160	50,042	96,160	50,042
Malaysian government securities	257,450	9,980	257,450	9,980
Debt securities:				
Unquoted in Malaysia	3,230,520	3,696,495	3,230,520	3,696,495
Unit and property trust funds:				
Quoted in Malaysia	139,251	75,662	139,251	75,662
Quoted outside Malaysia	1,149	1,876	1,149	1,876
<u>FVTPL - Designated upon initial recognition (Note 6(c)):</u>				
Malaysian government securities	7,130,488	6,487,719	7,130,488	6,487,719
Debt securities:				
Quoted outside Malaysia	836,819	964,575	836,819	964,575
Unquoted in Malaysia	29,536,410	28,251,652	29,536,410	28,251,652
Unquoted outside Malaysia	128,602	219,657	128,602	219,657
<u>Non financial assets (Note 4):</u>				
Investment properties:				
Commercial	368,910	366,910	368,910	366,910
Residential	234,900	234,900	234,900	234,900
<u>Loans and receivables (Note 6(a)):</u>				
Mortgage loans	1,995,372	1,819,183	2,029,510	1,846,686
	62,875,660	60,341,073	62,909,798	60,368,576
Financial liabilities:				
Derivatives (Note 12):				
Currency swaps	285,082	413,626	285,082	413,626
	285,082	413,626	285,082	413,626

The management assessed that cash and short-term deposits, insurance and other receivables, insurance and other payables and other liabilities approximate their carrying amounts largely due to the short-term maturities of these assets and liabilities.

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34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values which are carried or disclosed in the financial statements:

- The fair value of financial assets that are actively traded in organised financial markets is determined by reference to quoted market bid prices and closing prices as appropriate for assets at the close of business on the balance sheet date.
- For investments in quoted unit and real estate investment trusts, fair value is determined by reference to published net asset values. Investments in equity that do not have quoted market prices in an active market and whose fair value cannot be reliably measured will be stated at cost.
- For financial instruments where there is no active market such as unquoted fixed income securities i.e. unquoted bonds, fair value is obtained from Bond Pricing Agency Malaysia Sdn. Bhd. ("BPAM") while for foreign bonds, fair value is obtained from Bloomberg.
- For unquoted and unrated bonds, the unrated bonds are first assigned an internal rating using the Internal Credit Rating model and subsequently benchmarked against BPAM's indicative bond yields for a bond with similar rating and tenure.
- For structured deposits and derivatives, the fair value is obtained from the counterparty bank.
- For investment properties, the fair value is obtained from valuations as performed by the external valuers using the income method and comparison method.
- For mortgage loans, the fair value is derived by using the AA2 yield by tenures as an approximate proxy for fair value valuation. The AA2 yields are sourced from BPAM.
- If the fair value cannot be measured reliably, these financial instruments are measured at cost, being the fair value of the consideration paid for the acquisition of the instrument or the amount received on issuing the financial liability. All transaction costs directly attributable to the acquisition are also included in the cost of the investment.

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34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

		Level 1	Level 2	Level 3	
			Valuation		
			Techniques -	Valuation	
			Market	Techniques -	
			Observable	Unobservable	
			Inputs	Inputs	
2016	Date of valuation	Quoted Market Price RM'000	RM'000	RM'000	Total Fair Value RM'000
(a) Assets measured at fair value:					
Financial assets:					
<u>AFS financial assets (Note 6(b)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2016	10,726,292	-	-	10,726,292
Quoted outside Malaysia	31 December 2016	3,705,811	-	-	3,705,811
Malaysian government securities:					
	31 December 2016	-	7,715	-	7,715
Debt securities:					
Unquoted in Malaysia	31 December 2016	-	348,547	-	348,547
Quoted outside Malaysia	31 December 2016	26,758	-	-	26,758
Unit and property trust funds:					
Quoted in Malaysia	31 December 2016	560,679	-	-	560,679
Quoted outside Malaysia	31 December 2016	270,940	-	-	270,940
<u>FVTPL - Held for trading (Note 6(c)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2016	3,272,887	-	-	3,272,887
Quoted outside Malaysia	31 December 2016	96,160	-	-	96,160
Malaysian government securities:					
	31 December 2016	-	257,450	-	257,450
Debt securities:					
Unquoted in Malaysia	31 December 2016	-	3,230,520	-	3,230,520
Unit and property trust funds:					
Quoted in Malaysia	31 December 2016	139,251	-	-	139,251
Quoted outside Malaysia	31 December 2016	1,149	-	-	1,149
<u>FVTPL - Designated upon initial recognition (Note 6(c)):</u>					
Malaysian government securities:					
	31 December 2016	-	7,130,488	-	7,130,488
Debt securities:					
Quoted outside Malaysia	31 December 2016	836,819	-	-	836,819
Unquoted in Malaysia	31 December 2016	-	29,536,410	-	29,536,410
Unquoted outside Malaysia	31 December 2016	-	128,602	-	128,602
Financial assets		19,636,746	40,639,732	-	60,276,478

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities (continued).

		Level 1	Level 2	Level 3	
			Valuation		
			Techniques -	Valuation	
			Market	Techniques -	
			Observable	Unobservable	
			Inputs	Inputs	
	Date of	Quoted			Total Fair
	valuation	Market			Value
2016 (continued)		Price			
		RM'000	RM'000	RM'000	RM'000
(a) Assets measured at fair value (continued):					
Non financial assets:					
Investment Properties (Note 4):					
Commercial	7 November 2016	-	-	368,910	368,910
Residential	7 November 2016	-	-	234,900	234,900
Non financial assets		-	-	603,810	603,810
(b) Assets for which fair values are disclosed:					
LAR (Note 6(a)):					
Mortgage loans	31 December 2016	-	2,029,510	-	2,029,510
(c) Liabilities measured at fair value:					
Financial liabilities					
Derivatives (Note 12):					
Currency swaps	31 December 2016	-	285,082	-	285,082

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities (continued).

		Level 1	Level 2	Level 3	
			Valuation		
			Techniques -	Valuation	
			Market	Techniques -	
			Observable	Unobservable	
			Inputs	Inputs	
			RM'000	RM'000	
2015	Date of valuation	Quoted Market Price RM'000			Total Fair Value RM'000
(a) Assets measured at fair value:					
Financial assets:					
<u>AFS financial assets (Note 6(b)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2015	10,863,484	-	-	10,863,484
Quoted outside Malaysia	31 December 2015	2,788,690	-	-	2,788,690
Malaysian government securities:					
	31 December 2015	-	42,314	-	42,314
Debt securities:					
Unquoted in Malaysia	31 December 2015	-	406,989	-	406,989
Quoted outside Malaysia	31 December 2015	25,142	-	-	25,142
Unit and property trust funds:					
Quoted in Malaysia	31 December 2015	433,799	-	-	433,799
Quoted outside Malaysia	31 December 2015	170,579	-	-	170,579
<u>FVTPL - Held for trading (Note 6(c)):</u>					
Equity securities:					
Quoted in Malaysia	31 December 2015	3,431,425	-	-	3,431,425
Quoted outside Malaysia	31 December 2015	50,042	-	-	50,042
Malaysian government securities:					
	31 December 2015	-	9,980	-	9,980
Debt securities:					
Unquoted in Malaysia	31 December 2015	-	3,696,495	-	3,696,495
Unit and property trust funds:					
Quoted in Malaysia	31 December 2015	75,662	-	-	75,662
Quoted outside Malaysia	31 December 2015	1,876	-	-	1,876

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities (continued).

		Level 1	Level 2	Level 3	
			Valuation		
			Techniques -	Valuation	
			Market	Techniques -	
			Observable	Unobservable	
			Inputs	Inputs	
			RM'000	RM'000	
2015 (continued)	Date of valuation	Quoted Market Price RM'000			Total Fair Value RM'000
(a) Assets measured at fair value (continued):					
Financial assets (continued):					
FVTPL - Designated upon initial recognition (Note 6(c)):					
Malaysian government securities	31 December 2015	-	6,487,719	-	6,487,719
Debt securities:					
Quoted outside Malaysia	31 December 2015	964,575	-	-	964,575
Unquoted in Malaysia	31 December 2015	-	28,251,652	-	28,251,652
Unquoted outside Malaysia	31 December 2015	-	219,657	-	219,657
Financial assets		18,805,274	39,114,806	-	57,920,080
Non financial assets:					
Investment Properties (Note 4):					
Commercial	9 November 2015	-	-	366,910	366,910
Residential	9 November 2015	-	-	234,900	234,900
Non financial assets		-	-	601,810	601,810
(b) Assets for which fair values are disclosed:					
LAR (Note 6(a)):					
Mortgage loans	31 December 2015	-	1,846,686	-	1,846,686
(c) Liabilities measured at fair value:					
Financial liabilities					
Derivatives (Note 12):					
Currency swaps	31 December 2015	-	413,626	-	413,626

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

- (i) Information about significant unobservable inputs used in Level 3 fair value measurements:

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2016 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Commercial properties	285,000	Income approach	Rental per square foot ("p.s.f.") per month	RM3.15 - RM5.50
			Rental growth rate (upon Revisionary)	12.50%
			Long-term vacancy rate	5%
			Discount rate	6.0% - 6.5%
Commercial properties	83,910	Comparison approach	Estimated Value p.s.f	RM92 - RM1,000
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM874

Description	Fair value as at 31 December 2015 RM'000	Valuation techniques	Unobservable inputs	Range (weighted average)
<u>Investment properties</u>				
Commercial properties	283,000	Income approach	Rental per square foot ("p.s.f.") per month	RM3.15 - RM5.50
			Rental growth rate (upon Revisionary)	12.50%
			Long-term vacancy rate	5%
			Discount rate	6.0% - 6.5%
Commercial properties	83,910	Comparison approach	Estimated Value p.s.f	RM91 - RM1,000
Residential properties	234,900	Comparison approach	Estimated Value p.s.f	RM45 - RM885

- (ii) Movements in level 3 assets measured at fair value:

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Investment Properties Fair value measurements using significant unobservable inputs (Level 3)	
	2016 RM'000	2015 RM'000
Opening balance	601,810	546,616
Total gain for the year:		
Included in income statement	2,000	54,874
Addition for the year	-	320
Closing balance	603,810	601,810

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

34. FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

(ii) Movements in level 3 assets measured at fair value (continued):

For investments properties, a significant increase/(decrease) in unobservable inputs would result in a significantly (lower)/higher fair value measurement.

	Investment Properties	
	Fair value measurements using	
	significant unobservable inputs (Level 3)	
	2016	2015
	RM'000	RM'000
<hr/>		
Total gain for the year included in:		
Income Statement		
- Gain on changes in fair value	2,000	54,874
<hr/>		

Fair value Hierarchy

The Company classifies fair value measurement using a fair value hierarchy that reflects the significant of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 Assets/liabilities are those of which market values are determined in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those process represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 Assets/liabilities are those of which market values are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. These type of assets/liabilities includes assets/liabilities of which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets/financial liabilities with fair values based on broker quotes, investments in private equity funds with fair values obtained from counterparties and assets/liabilities that are valued using the Company's own model whereby the majority of assumptions are market observable.
- Level 3 Assets/liabilities are those of which market values are measured using a valuation technique based on assumptions formed from unobservable inputs. Unobservable inputs are inputs not supported by market data, but which are set on the basis that they represent what is reasonable given the prevailing market conditions.

There have been no transfers of assets between Level 1 and Level 2 of the fair value hierarchy during the financial years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

35. REGULATORY CAPITAL REQUIREMENT

The capital structure of the Company as at 31 December 2016, as prescribed under the RBC is provided below:

	2016 RM'000	2015 RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	100,000	100,000
Reserves, including retained earnings	18,194,476	18,319,579
	18,294,476	18,419,579
Tier 2 Capital		
Eligible reserves	3,590,436	3,903,311
Deductions: Deferred Tax Asset	35,014	23,824
Total Capital Available	21,849,898	22,299,066

36. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life Insurance (including Unit-Linked business) and Shareholder's Funds in accordance with the Financial Services Act, 2013. The Income Statement and Balance Sheet by funds are presented as follow:

Balance Sheet by Funds As at 31 December 2016

	Shareholder's Fund		Life Insurance Fund		Elimination*		Total	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets								
Financial investments	614,171	682,529	69,613,227	66,970,395	(23,142)	(22,052)	70,204,256	67,630,872
Reinsurance assets	-	-	83,683	100,985	-	-	83,683	100,985
Insurance receivables	-	-	270,358	268,250	-	-	270,358	268,250
Other assets	1,393,658	1,267,060	2,388,862	2,066,469	(1,394,835)	(1,271,055)	2,387,685	2,062,474
	2,007,829	1,949,589	72,356,130	69,406,099	(1,417,977)	(1,293,107)	72,945,982	70,062,581
Equity, Policyholders' Fund and Liabilities								
Total Equity	1,801,936	1,765,333	-	-	453	1,281	1,802,389	1,766,614
Insurance contract liabilities	-	-	68,579,597	65,485,960	(23,738)	(23,738)	68,555,859	65,462,222
Other liabilities	205,893	184,256	3,776,533	3,920,139	(1,394,692)	(1,270,650)	2,587,734	2,833,745
Total policyholders' fund and liabilities	205,893	184,256	72,356,130	69,406,099	(1,418,430)	(1,294,388)	71,143,593	68,295,967
	2,007,829	1,949,589	72,356,130	69,406,099	(1,417,977)	(1,293,107)	72,945,982	70,062,581

* Refers to elimination of Interfund balances.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

36. INSURANCE FUNDS (CONTINUED)

Income Statement by Funds

For the year ended 31 December 2016

	Shareholder's Fund		Life Insurance Fund		Elimination**		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross earned premiums	-	-	7,260,678	7,017,546	-	-	7,260,678	7,017,546
Premiums ceded to reinsurers	-	-	(150,704)	(142,724)	-	-	(150,704)	(142,724)
Net earned premiums	-	-	7,109,974	6,874,822	-	-	7,109,974	6,874,822
Investment income	35,199	30,414	2,863,885	2,781,950	-	(3,568)	2,899,084	2,808,796
Fee and commission income	-	-	16,508	16,616	-	-	16,508	16,616
Gains and losses and other operating revenue	5,561	(3,900)	496,625	(99,995)	-	(216)	502,186	(104,111)
Other revenue	40,760	26,514	3,377,018	2,698,571	-	(3,784)	3,417,778	2,721,301
Gross benefits and claims paid	-	-	(5,179,720)	(4,920,949)	(301)	(3,818)	(5,180,021)	(4,924,767)
Claims ceded to reinsurers	-	-	69,004	68,160	-	-	69,004	68,160
Gross change in contract liabilities	-	-	(2,683,103)	(2,299,654)	-	-	(2,683,103)	(2,299,654)
Change in contract liabilities ceded to reinsurers	-	-	10,905	(2,936)	-	-	10,905	(2,936)
Net benefits and claims	-	-	(7,782,914)	(7,155,379)	(301)	(3,818)	(7,783,215)	(7,159,197)
Depreciation and amortisation	-	-	(64,000)	(51,051)	-	-	(64,000)	(51,051)
Other operating and management expenses	(12,083)	(15,814)	(1,499,349)	(1,383,953)	301	7,602	(1,511,131)	(1,392,165)
Taxation of life insurance business	-	-	(221,491)	(144,680)	-	-	(221,491)	(144,680)
Other expenses	(12,083)	(15,814)	(1,784,840)	(1,579,684)	301	7,602	(1,796,622)	(1,587,896)
Profit from operations	28,677	10,700	919,238	838,330	-	-	947,915	849,030
Transfer from Life Insurance Fund*	919,238	838,330	(919,238)	(838,330)	-	-	-	-
Profit before taxation	947,915	849,030	-	-	-	-	947,915	849,030
Taxation (Note 25(b))	(177,104)	(160,033)	-	-	-	-	(177,104)	(160,033)
Net profit for the year	770,811	688,997	-	-	-	-	770,811	688,997

* The amount transferred from the Life Insurance Fund to the Shareholder's Fund is net of tax.

** Refers to elimination of interfund transactions.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2016

36. INSURANCE FUNDS (CONTINUED)

Information on Cash Flows by Funds
for the year ended 31 December 2016

	Shareholder's Fund		Life Insurance Fund		Total	
	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flow from:						
Operating activities	752,132	523,076	(20,832)	56,651	731,300	579,727
Investing activities	-	-	(59,310)	(54,344)	(59,310)	(54,344)
Financing activities	(723,000)	(512,000)	-	-	(723,000)	(512,000)
Increase/(Decrease) in cash and cash equivalents	29,132	11,076	(80,142)	2,307	(51,010)	13,383
Cash and cash equivalents:						
At beginning of year	18,666	7,590	2,296,376	2,294,069	2,315,042	2,301,659
At end of year	47,798	18,666	2,216,234	2,296,376	2,264,032	2,315,042

FURTHER INFORMATION ON DIRECTORS

MR NORMAN IP

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Far Island Bay Sdn Bhd	Chairman
2.	Great Eastern Capital (Malaysia) Sdn Bhd	Chairman
3.	Great Eastern Holdings Limited*	Chairman
4.	I Great Capital Holdings Sdn Bhd	Chairman
5.	Overseas Assurance Corporation (Holdings) Berhad	Chairman
6.	Overseas Assurance Corporation (Malaysia) Berhad	Chairman
7.	WBL Corporation Limited	Chairman
8.	AIMS AMP Capital Industrial REIT Management Limited*	Director
9.	Great Eastern Takaful Berhad	Director
10.	Lion Global Investors Limited	Director
11.	The Great Eastern Life Assurance Company Limited	Director
12.	The Overseas Assurance Corporation Limited	Director
13.	United Engineers Limited*	Group Managing Director
14.	Building and Construction Authority	Deputy Chairman

* Listed Company

Academic and Professional Qualifications

Bachelor of Science (Economics), London School of Economics and Political Science

Fellow of the Institute Chartered Accountants in England and Wales

Fellow of the Institute of Certified Public Accountants of Singapore

Board Committees Served on

Member, Board Nominations and Remuneration Committee

MR TAN YAM PIN

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Keppel Land Limited	Director
2.	Lee Kuan Yew Scholarship Fund	Director
3.	Overseas Assurance Corporation (Malaysia) Berhad	Director
4.	Singapore Public Service Commission	Deputy Chairman

* Listed Company

Academic and Professional Qualifications

Master of Business Administration, University of British Columbia, Canada

Bachelor of Arts (Hons), University of Singapore

Fellow of the Canadian Institute of Chartered Accountants, Canada

Board Committees Served on

Chairman, Board Nominations and Remuneration Committee

FURTHER INFORMATION ON DIRECTORS

MR KHOR HOCK SENG

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Lion Global Investors Limited	Chairman
2.	Great Eastern Financial Advisers Private Limited	Chairman
3.	PT Great Eastern Life Indonesia	President Commissioner
4.	Great Eastern Capital (Malaysia) Sdn Bhd	Director
5.	I Great Capital Holdings Sdn Bhd	Director
6.	Overseas Assurance Corporation (Holdings) Berhad	Director
7.	Overseas Assurance Corporation (Malaysia) Berhad	Director
8.	Great Eastern Takaful Berhad	Director
9.	The Great Eastern Trust Private Limited	Director
10.	Great Eastern International Private Limited	Director
11.	218 Orchard Private Limited	Director

Academic and Professional Qualifications

Bachelor of Art (Majoring in Actuarial Science and Statistics), Macquarie University Sydney, Australia
Certificate of Actuarial Techniques, Institute of Actuaries, London

Board Committees Served on

Nil

YBHG. DATUK KAMARUDDIN BIN TAIB

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Germanisher Lloyd GLM Sdn Bhd	Chairman
2.	GHL Systems Berhad	Chairman
3.	Great Eastern Takaful Berhad	Chairman
4.	FIDE FORUM	Director
5.	I Great Capital Holdings Sdn Bhd	Director
6.	Overseas Assurance Corporation (Malaysia) Berhad	Director
7.	Maksud Sdn Bhd	Director
8.	Harta Maksud Sdn Bhd	Director
9.	BFC Exchange Malaysia Sdn Bhd	Director
10.	Malaysian Oil & Gas Services Council	Trustee

Academic and Professional Qualifications

Bachelor of Science in Mathematics, University of Salford, United Kingdom

Board Committees Served on

Chairman, Board Audit Committee
Member, Board Nominations and Remuneration Committee

FURTHER INFORMATION ON DIRECTORS

YBHG. DATO' ALBERT YEOH BEOW TIT

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Alliance Investment Bank Berhad	Director
2.	Cagamas MBS Berhad	Director
3.	Cagamas SRP Berhad	Director
4.	Danajamin Nasional Berhad	Director
5.	Overseas Assurance Corporation (Malaysia) Berhad	Director

Academic and Professional Qualifications

Master of Science in Management, University of Salford, United Kingdom

Bachelor of Economics (Double Major in Economics & Operations Research), Monash University, Australia

Fellow of the Institute of Bankers Malaysia (FIBM)

Certified Financial Planner and Member of Financial Planning of Association of Malaysia

Board Committees Served on

Member, Board Audit Committee

Member, Board Nominations and Remuneration Committee

Member, Board Risk Management Committee

MR NG HON SOON

Shareholding in the Company

Nil

Current Directorships (and Appointments)

1.	Pac Lease Berhad	Director
2.	RAM Rating Services Berhad	Director
3.	OCBC Bank (Malaysia) Berhad	Director
4.	OCBC Al-Amin Bank Berhad	Director
5.	Overseas Assurance Corporation (Malaysia) Berhad	Director

Academic and Professional Qualifications

Master in Public Administration, Harvard University, Massachusetts, United States of America

Bachelor of Applied Science (Computer Technology), Universiti Sains Malaysia

Board Committees Served on

Chairman, Board Risk Management Committee

Member, Board Nominations and Remuneration Committee

FURTHER INFORMATION ON DIRECTORS

MADAM TAN FONG SANG

Shareholding in the Company

Nil

Current Directorships (and Appointments)

- | | | |
|----|--|----------|
| 1. | Crsytal Coast Sdn Bhd | Director |
| 2. | Overseas Assurance Corporation (Malaysia) Berhad | Director |

Academic and Professional Qualifications

Bachelor of Accounting, National University of Malaysia

Chartered Accountant registered with the Malaysian Institute of Accountants

Board Committees Served on

Member, Board Audit Committee

Member, Board Risk Management Committee

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AVP and Head (Sabah Region) (Business Development):
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Branch Admin Manager:
Yeo Ai May

Kuantan

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Branch Admin Manager:
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