# HSBC LIFE (SINGAPORE) PTE. LTD.

*(Incorporated in Singapore. Registration No. 199903512M)*

# ANNUAL REPORT

*For the financial year ended 31 December 2023*

**HSBC LIFE (SINGAPORE) PTE. LTD.**
*(Incorporated in Singapore. Registration No. 199903512M)*

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*For the financial year ended 31 December 2023*

# Contents

# DIRECTORS' STATEMENT

*For the financial year ended 31 December 2023*

The directors present their statement to the member together with the audited financial statements of HSBC Life (Singapore) Pte. Ltd. (the "Company") for the financial year ended 31 December 2023.

In the opinion of the directors,

(a) the financial statements of the Company as set out on pages 9 to 111 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Company for the financial year covered by the financial statements; and

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

## Directors

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

Chamberlain Alistair John (Chairman)
Nikzad Abbasabadi Babak
Bindra Harpreet Singh
Yap Chee Meng
Chia Kee Seng

## Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed below.

## Directors' interests in shares or debentures

The directors who held office at the end of the financial year have been granted exemption from compliance with Section 201(16) and paragraph 9 of the Twelfth Schedule of the Companies Act 1967 (the Act). Full detailed information regarding directors' interests in shares or debentures of the Company or of related corporations, either at the beginning of the financial year, or at the end of the financial year, can be obtained at the registered office of the Company, at 10 Marina Boulevard, Marina Bay Financial Centre Tower 2, Level 48-01 Singapore 018983.

HSBC Holdings plc (the ultimate holding company) maintains Employee Share Plans schemes, under which eligible employees including directors of the Company were granted Share Options and Discretionary Awards of shares in HSBC Holdings plc. Details of Employee Plans can be found from the Annual Report of HSBC Holdings plc. which is publicly available on the website.

Except for the Employee Share Plans, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects were, or one whose object was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 26 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

## Share options

No options were granted during the financial year to subscribe for unissued shares of the Company.

No shares were issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under option at the end of the financial year.

**Independent auditor**

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to be reappointed.

On behalf of the directors

Harpreet Bindra

Bindra Harpreet Singh
Director

A.Chamberlain

Chamberlain Alistair John
Chairman

29 April 2024

**INDEPENDENT AUDITOR'S REPORT**
**TO THE MEMBER OF HSBC LIFE (SINGAPORE) PTE. LTD.**

## Report on the Audit of the Financial Statements

### Our Opinion

In our opinion, the accompanying financial statements of HSBC Life (Singapore) Pte. Ltd. (the "Company") are properly drawn up in accordance with the provisions of the Companies Act 1967 ("the Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Company as at 31 December 2023 and of the financial performance, changes in equity and cash flows of the Company for the financial year ended on that date.

*What we have audited*

The financial statements of the Company comprise:

- the statement of comprehensive income for the financial year ended 31 December 2023;
- the balance sheet as at 31 December 2023;
- the statement of changes in equity for the financial year then ended;
- the statement of cash flows for the financial year then ended; and
- the notes to the financial statements, including material accounting policy information.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's 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*

We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement but does not include the financial statements and our auditor's report thereon.

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

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

**Report on the Audit of the Financial Statements (continued)**

**Responsibilities of Management and Directors for the Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 29 April 2024

**HSBC LIFE (SINGAPORE) PTE. LTD.**

**STATEMENT OF COMPREHENSIVE INCOME**
*For the financial year ended 31 December 2023*

| | Notes | 2023 $'000 | Restated 2022 $'000 |
|---|---|---|---|
| Insurance revenue | | **608,358** | 594,381 |
| Insurance service expenses | | **(504,611)** | (369,419) |
| Net income/(expenses) for reinsurance contracts | | **5,269** | (120,654) |
| **Insurance service result** | 5 | **109,016** | 104,308 |
| Interest revenue | | **260,929** | 42,468 |
| Other investment gains/(losses) | | **166,324** | (756,117) |
| **Net investment income/(loss)** | 6 | **427,253** | (713,649) |
| Net finance (expenses)/income from insurance contracts issued | | **(399,762)** | 691,409 |
| Net finance (expenses)/income from reinsurance contracts held | | **(8,096)** | 14,842 |
| **Net insurance finance (expenses)/income** | 6 | **(407,858)** | 706,251 |
| Other operating income | | **27,689** | 47,226 |
| Other operating expenses | 7 | **(168,074)** | (212,781) |
| **Loss before tax** | | **(11,974)** | (68,645) |
| Income tax expense | 8 | **(2,813)** | (1,574) |
| **Loss for the year** | | **(14,787)** | (70,219) |
| **Total comprehensive loss for the year** | | **(14,787)** | (70,219) |

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

**HSBC LIFE (SINGAPORE) PTE. LTD.**

**BALANCE SHEET**
*As at 31 December 2023*

| | Notes | **31 December 2023 $'000** | Restated 31 December 2022 $'000 | Restated 1 January 2022 $'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Intangible assets | 9 | **88,451** | 86,169 | 88,426 |
| Property and equipment | 10 | **168** | - | 4,169 |
| Insurance contract assets | 17 | **56,292** | 15,601 | 24,583 |
| Reinsurance contract assets | 17 | **176,194** | 209,520 | 70,580 |
| Financial assets | | | | |
| - Loans and receivables | 12 | **199,303** | 43,256 | 59,440 |
| - Derivative financial instruments | 13 | **117,170** | 59,724 | 5,393 |
| - Financial assets, at fair value through profit or loss | 14(a) | **10,705,482** | 4,138,024 | 5,079,810 |
| - Financial assets, at amortised cost | 14(b) | **15,974** | - | - |
| Amount due from related companies | 15 | **1,105** | - | - |
| Cash and cash equivalents | 16 | **318,655** | 183,254 | 145,325 |
| **Total assets** | | **11,678,794** | 4,735,548 | 5,477,726 |
| **LIABILITIES** | | | | |
| Insurance contract liabilities | 17 | **10,432,446** | 3,904,185 | 4,536,752 |
| Reinsurance contract liabilities | 17 | **522,337** | 105,331 | 126,424 |
| Borrowings | 19 | **184** | - | 3,117 |
| Financial liabilities | | | | |
| - Derivative financial instruments | 13 | **50,622** | 23,959 | 53,099 |
| Amount due to related companies | 15 | **15,296** | 29,726 | - |
| Other payables and accruals | 18 | **317,257** | 246,856 | 257,586 |
| Income tax payable | 8 | **2,560** | 1,657 | 1,954 |
| **Total liabilities** | | **11,340,702** | 4,311,714 | 4,978,932 |
| **NET ASSETS** | | **338,092** | 423,834 | 498,794 |
| **EQUITY** | | | | |
| Share capital | 20 | **1,361,484** | 873,484 | 873,484 |
| Accumulated losses | | **(466,072)** | (451,285) | (381,066) |
| Other reserves | 21 | **(557,320)** | 1,635 | 6,376 |
| **Total equity** | | **338,092** | 423,834 | 498,794 |

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

**HSBC LIFE (SINGAPORE) PTE. LTD.**

**STATEMENT OF CHANGES IN EQUITY**
*For the financial year ended 31 December 2023*

| | Notes | Share capital $'000 | Accumulated losses $'000 | Other reserves $'000 | Total equity $'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Balance as at 1 January 2023, restated | | **873,484** | **(451,285)** | **1,635** | **423,834** |
| Loss for the year | | **-** | **(14,787)** | **-** | **(14,787)** |
| **Total comprehensive loss for the year** | | **-** | **(14,787)** | **-** | **(14,787)** |
| Issuance of new shares | 20 | **488,000** | **-** | **-** | **488,000** |
| Business transfer | 27 | **-** | **-** | **(560,743)** | **(560,743)** |
| Value of employee services | | **-** | **-** | **1,788** | **1,788** |
| **Total transactions with owners, recognised directly in equity** | | **488,000** | **-** | **(558,955)** | **(70,955)** |
| **End of financial year** | | **1,361,484** | **(466,072)** | **(557,320)** | **338,092** |
| **2022** | | | | | |
| Balance as at 1 January 2022, as previously reported | | 873,484 | (245,935) | 6,376 | 633,925 |
| Impact on transition to FRS 117 | | - | (135,131) | - | (135,131) |
| Restated balance as at 1 January 2022 | | 873,484 | (381,066) | 6,376 | 498,794 |
| Loss for the year (restated) | | - | (70,219) | - | (70,219) |
| **Total comprehensive loss for the year (restated)** | | - | (70,219) | - | (70,219) |
| Value of employee services | | - | - | 2,859 | 2,859 |
| Recharge to previous ultimate holding company | | - | - | (5,189) | (5,189) |
| Recharge to ultimate holding company | | - | - | (2,411) | (2,411) |
| **Total transactions with owners, recognised directly in equity** | | - | - | (4,741) | (4,741) |
| **End of financial year (restated)** | | 873,484 | (451,285) | 1,635 | 423,834 |

**HSBC LIFE (SINGAPORE) PTE. LTD.**

**STATEMENT OF CASH FLOWS**
*For the financial year ended 31 December 2023*

| | Notes | 2023 $'000 | Restated 2022 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Loss before tax | | **(11,974)** | (68,645) |
| Adjustments for: | | | |
| Depreciation expense | 10 | **79** | 4,010 |
| Amortisation of intangible assets | 9 | **23,211** | 20,507 |
| Impairment/write-off of intangible assets | 9 | **-** | 23,243 |
| Net realised and unrealised (gains)/losses on financial assets and liabilities at fair value through profit or loss | 6 | **(156,652)** | 766,595 |
| Interest and dividend income | 6 | **(270,601)** | (52,946) |
| Interest expense on lease liabilities | 11 | **10** | 30 |
| Share-based compensation expense | 21 | **1,788** | 2,859 |
| Loss on disposals of intangible assets | 9 | **19,392** | 5 |
| Operating cash flow before working capital change | | **(394,747)** | 695,658 |
| Changes in: | | | |
| Loans and receivables | | **67,822** | 12,863 |
| Other payables and accruals | | **39,636** | (15,488) |
| Net amount due from/to related companies | | **6,723** | 29,726 |
| Insurance contract assets | | **(15,073)** | 8,982 |
| Reinsurance contract assets | | **79,056** | (138,940) |
| Insurance contract liabilities | | **266,390** | (632,567) |
| Reinsurance contract liabilities | | **132,433** | (21,093) |
| Purchases of financial assets | | **(2,839,178)** | (1,122,850) |
| Proceeds from sale and maturity of financial assets | | **2,454,392** | 1,214,569 |
| Cash (outflow)/inflow from operations | | **(202,546)** | 30,860 |
| Interest and dividends received | | **161,239** | 56,267 |
| Income tax paid | 8 | **(1,910)** | (1,871) |
| Share-based compensation paid | | **-** | (2,842) |
| **Net cash (used in)/provided by operating activities** | | **(43,217)** | 82,414 |
| **Cash flows from investing activities** | | | |
| Acquisition via business transfer, net of cash acquired | | **(274,587)** | - |
| Purchases of intangible assets | 9 | **(34,715)** | (41,498) |
| **Net cash used in investing activities** | | **(309,302)** | (41,498) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of share capital | 20 | **488,000** | - |
| Principal payment of lease liabilities | 19 | **(70)** | (2,957) |
| Interest paid | 19 | **(10)** | (30) |
| **Net cash provided by/(used in) financing activities** | | **487,920** | (2,987) |
| **Net increase in cash and cash equivalents** | | **135,401** | 37,929 |
| Cash and cash equivalents at beginning of financial year | | **183,254** | 145,325 |
| **Cash and cash equivalents at end of financial year** | 16 | **318,655** | 183,254 |

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General information

The Company is incorporated and domiciled in Singapore. The address of its registered office is 10 Marina Boulevard #48-01 Marina Bay Financial Centre Singapore 018983.

The Company is principally engaged in life and non-life insurance businesses in Singapore.

## 2. Material accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements have been presented in Singapore dollars and values have been rounded to the nearest thousand ($'000) except when otherwise indicated.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

## 2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

**Interpretations and amendments to published standards effective in 2023**

On 1 January 2023, the Company adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Company's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS. The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Company's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except for the adoption of FRS 117 Insurance Contracts, including any consequential amendments to other standards.

*FRS 117 Insurance Contracts*

The initial application of FRS 117 from 1 January 2023 brought significant changes to the accounting for insurance and reinsurance contracts. As a result, the Company has restated certain comparative amounts and presented a third balance sheet as at 1 January 2022.

Changes in accounting policies resulting from the adoption of FRS 117 have been applied using the following transition approach:

For the insurance contracts issued by the Company at transition date:
- Full retrospective approach ("FRA") for policies after 1 January 2022; and
- Fair value approach ("FVA") for the majority of insurance contracts for which FRA is impracticable as at 1 January 2022.

For the insurance contracts issued by HSBC Insurance (Singapore) Pte. Limited and transferred to the Company on 1 February 2023 (Note 27):
- Full retrospective approach ("FRA") for policies after 1 January 2019; and
- Fair value approach ("FVA") for the majority of insurance contracts for which FRA is impracticable as at 1 January 2019.

For all the reinsurance contracts held by the Company,
- Full retrospective approach ("FRA") for reinsurance contracts after 1 January 2022; and
- Fair value approach ("FVA") for the reinsurance contracts for which FRA is impracticable as at 1 January 2022.

**2. Material accounting policies** (continued)

2.1 Basis of preparation (continued)

**Interpretations and amendments to published standards effective in 2023 (continued)**

*FRS 117 Insurance Contracts (continued)*

Under the FRA, at 1 January 2022 the Company:

- identified, recognised and measured each group of insurance and reinsurance contracts as if FRS 117 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if FRS 117 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if FRS 117 had always been applied. These included some deferred acquisition costs for insurance contracts, insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under FRS 117, they are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity.

Under the FVA, the valuation of insurance liabilities on transition is based on the applicable requirements of FRS 13 “Fair Value Measurement”. This requires consideration of 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 (an exit price). The contractual service margin (“CSM”) is calculated as the difference between what a market participant would demand for assuming the unexpired risk associated with insurance contracts, including required profit, and the fulfilment cash flows that are determined using FRS 17 principles. In determining the fair value, the Company considered the estimated profit margin that a market participant would demand in return for assuming the insurance liabilities with the consideration of the level of capital that a market participant would be required to hold, and the discount rate with an allowance for an illiquidity premium that takes into account the level of “matching” between the Company’s assets and related liabilities.

The Company has applied the transition provisions in FRS 117 and has not disclosed the impact of the adoption of FRS 117 on each financial statement line item. The effects of adopting FRS 117 on the financial statements at 1 January 2022 are presented in the statement of changes in equity. The impact of transitioning to FRS 117 on the financial statements of the Company was a reduction to total equity of $135m at 1 January 2022.

**2. Material accounting policies** (continued)

2.1 Basis of preparation (continued)

**Interpretations and amendments to published standards effective in 2023 (continued)**

*FRS 117 Insurance Contracts (continued)*

On the implementation of FRS 117, new profit or loss line items associated with insurance contract accounting were introduced. Consequently, the previously reporting FRS 104 line items 'Net written premium" and "Net claims and policy benefits" were also removed. Net insurance finance income of $706m for the year ended 31 December 2022 represents the change in the carrying amount of insurance contracts arising from the effect of, and changes in, the time value of money and financial risk. For VFA contracts, which represent more than 92% of the Company's insurance contracts, the insurance finance income/(expense) includes the changes in the fair value of underlying items (excluding additions and withdrawals). It therefore has an offsetting impact to investment income earned on underlying assets supporting insurance contracts.

Revenue is recognised for the release of the CSM associated with the in-force business, which was allocated at a rate of approximately 9% during 2022.

Details of the nature and effects of the key changes in the Company's accounting policies resulting from its adoption of FRS 117 are set out in section 2.2 below.

*FRS1-1 and FRS Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023*

The Company adopted amendments to FRS1-1 and FRS Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of the accounting policies, assisting to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

New or amended accounting Standards and Interpretations that are not mandatory for 31 December 2023 reporting period have not been early adopted by the Company. These are not expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

## 2. Material accounting policies (continued)

### 2.2 Insurance and reinsurance contracts

FRS 117 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM. The CSM represents the unearned profits that will be released and systematically recognised in insurance revenue as services are provided over the expected coverage period. Previously, the impact of the majority of assumption changes is recognised immediately in the statement of comprehensive income and variances between actual and expected cash flows are recognised in the period they arise.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in statement of comprehensive income. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

*Contract classification*

Contracts under which the Company accepts significant insurance risk are classified as insurance contracts. Contracts held by the Company under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Company to financial risk.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Company, or they may be acquired in a business combination or in a transfer of contracts that do not form a business. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued, initiated or acquired by the Company, unless otherwise stated.

Contracts entered into by the Company with the legal form of insurance contracts which do not transfer significant insurance risk are classified as financial liabilities and are referred to as 'investment contracts'.

## 2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

Insurance contracts are classified as direct participating contracts or contracts without direct participation features. Direct participating contracts are contracts for which, at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

*Aggregation of insurance contracts*

Individual insurance contracts that are managed together and subject to similar risks are identified as a portfolio. Contracts that are managed together usually belong to the same product group, and have similar characteristics such as being subject to a similar pricing framework or similar product management, and are issued by the same legal entity. If a contract is exposed to more than one risk, the dominant risk of the contract is used to assess whether the contract features similar risks.

Each portfolio is further separated by the contract's expected profitability. The portfolios are split by their profitability into: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; and (iii) the remaining contracts. These profitability groups are then divided by issue date, with most contracts the Group issues after the transition date being grouped into calendar quarter cohorts. For multi-currency groups of contracts, the Group considers its groups of contracts as being denominated in a single currency.

The measurement of the insurance contract liability is based on groups of insurance contracts as established at initial recognition, and will include fulfilment cash flows as well as the CSM representing the unearned profit. The Company has elected to update the estimates used in the measurement on a year-to-date basis.

**2. Material accounting policies** (continued)

2.2 Insurance and reinsurance contracts (continued)

*Fulfilment cash flows*

The fulfilment cash flows comprise the following:

(i) Best estimates of future cash flows

These cash flows include amounts expected to be collected from premiums and payouts for claims, benefits and expenses, and are projected using a range of scenarios and assumptions in an unbiased way based on the Company's demographic and operating experience along with external mortality data where the Company's own experience data is not sufficiently large in size to be credible.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration paid or received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration involved is the fair value of the contracts at that date.

(ii) Adjustment for the time value of money (i.e. discounting) and financial risks associated with the future cash flows

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks to derive an expected present value. The Company generally makes use of stochastic modelling techniques in the estimation for products with options and guarantees.

A bottom-up approach is used to determine the discount rate to be applied to a given set of expected future cash flows. This is derived as the sum of the risk-free yield and an illiquidity premium. The risk-free yield is determined based on observable market data, where such markets are considered to be deep, liquid and transparent. When information is not available, management judgement is applied to determine the appropriate risk-free yield. Illiquidity premiums reflect the liquidity characteristics of the associated insurance contracts.

(iii) Risk adjustment for non-financial risk

The risk adjustment reflects the compensation required for bearing the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. It is calculated as a 75th percentile level of stress over a one-year period. The level of the stress is determined with reference to external regulatory stresses and internal economic capital stresses.

The Company does not disaggregate changes in the risk adjustment between insurance service result (comprising insurance revenue and insurance service expense) and insurance finance income or expenses. All changes are included in insurance service result.

**2. Material accounting policies** (continued)

2.2 Insurance and reinsurance contracts (continued)

*Measurement models*

The variable fee approach ('VFA') measurement model is used for most of the contracts issued by the Company, which is mandatory upon meeting the following eligibility criteria at inception:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

- the Company expects to pay to the policyholder a substantial share of the fair value returns on the underlying items. The Company considers that a substantial share is a majority of returns; and

- the Company expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items. The Company considers that a substantial proportion is a majority proportion of change on a present value probability-weighted average of all scenarios.

The remaining contracts issued and the reinsurance contracts held are accounted for under the general measurement model ('GMM').

*CSM and coverage units*

The CSM represents the unearned profit and results in no income or expense at initial recognition when the group of contracts is profitable. The CSM is adjusted at each subsequent reporting period for changes in fulfilment cash flows relating to future service (e.g. changes in non-economic assumptions, including mortality and morbidity rates). For initial recognition of onerous groups of contracts and when groups of contracts become onerous subsequently, losses are recognised in insurance service expense immediately. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

For groups of contracts measured using the VFA, changes in the Company's share of the underlying items, and economic experience and economic assumption changes adjust the CSM, whereas these changes do not adjust the CSM under the GMM, but are recognised in statement of comprehensive income as they arise. However, under the risk mitigation option for VFA contracts, the changes in the fulfilment cash flows and the changes in the Company's share in the fair value return on underlying items that the instruments mitigate are not adjusted in CSM but recognised in statement of comprehensive income.

**2. Material accounting policies** (continued)

2.2 Insurance and reinsurance contracts (continued)

*CSM and coverage units (continued)*

The CSM is systematically recognised in insurance revenue to reflect the insurance contract services provided, based on the coverage units of the group of contracts. Coverage units are determined by the quantity of benefits and the expected coverage period of the contracts.

The Company identifies the quantity of the benefits provided as follows:

- For insurance coverage - based on the expected net policyholder insurance benefit at each period after allowance for decrements, where net policyholder insurance benefit refers to the amount of sum assured less the fund value or surrender value;

- For investment services (including both investment-return service and investment-related service), based on a constant measure basis which reflects the provision of access for the policyholder to the facility;

- For contracts that provide both insurance coverage and investment services, coverage units are weighted according to the expected present value of the future cash outflows for each service.

*Onerous contracts*

Losses on onerous contracts are taken to the statement of comprehensive income as incurred.

*Experience variance and other*

‘Experience variance and other’ or ‘Expected incurred claims and other insurance service expenses‘ represents the expected expenses, claims and recovery of acquisition cash flows, which are reported as part of the insurance revenue. This is offset with the actual expenses and claims incurred in the period and amortisation of acquisition cash flows, which are reported as part of insurance service expense.

*Insurance service result*

Insurance revenue reflects the consideration to which the Company expects to be entitled in exchange for the provision of coverage and other insurance contract services (excluding any investment components). Insurance service expenses comprise the incurred claims and other incurred insurance service expenses (excluding any investment components), and losses on onerous groups of contracts and reversals of such losses.

**2. Material accounting policies** (continued)

2.2 Insurance and reinsurance contracts (continued)

*Insurance finance income and expenses*

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from the effects of the time value of money, financial risk and changes therein. For VFA contracts, changes in the fair value of underlying items (excluding additions and withdrawals) are recognised in insurance finance income or expenses.

Insurance finance income and expenses, are presented separately from insurance revenue and insurance service expenses. Income and expenses from reinsurance contracts other than insurance finance income and expenses are presented as a single net amount in statement of comprehensive income.

*Reinsurance contracts*

To measure a group of reinsurance contracts held, the Company applies the same accounting policies as are applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the carrying amount for remaining coverage and the asset for incurred claims. The carrying amount for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date. The Company measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in statement of comprehensive income. The risk adjustment for non-financial risk is the amount of risk being transferred by the Company to the reinsurer.

The CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance at initial recognition. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase by the Company, then the Company recognises the cost immediately in profit or loss as an expense.

The carrying amount of the CSM is then reassessed at each reporting date and the Company adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised.

## 2. Material accounting policies (continued)

### 2.3 Revenue recognition

(a) Insurance service revenue

Under FRS 117, insurance service revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included.

Noted 2.2 details the profit recognition for groups of contracts measured using the VFA and GMM models.

(b) Investment income

Net investment income comprises interest income, dividend income, net gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments at fair value through profit or loss, and impairment losses recognised on financial instruments.

Interest income from financial instruments is recognised using the effective interest rate method. Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be reliably measured.

### 2.4 Business combination under common control

Business combinations arising from transfers of interests from entities that are under the control of the same ultimate parent are accounted for at the date of the transfer of business. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the transferring entity with any gain/loss arising is recognised directly in other reserves in equity.

## 2. Material accounting policies (continued)

### 2.5 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contributions plans

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The Company's contributions to defined contribution plans are recognised as employee compensation expense when they are due.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) Share-based compensation

The Company's ultimate holding company grants share options to its employees, including the Company's employees. The fair value of share options granted is recognised as an employee expense, with a corresponding increase in capital reserve. The fair value is measured at grant date and spread over the vesting period during which the employees unconditionally become entitled to the share options.

The fair value is measured at grant date using a binomial lattice model methodology. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total expense is spread over the vesting period, taking into account the probability that the option will vest.

At each reporting date, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest, with a corresponding adjustment to the capital reserve.

## 2. Material accounting policies (continued)

2.6 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

## 2. Material accounting policies (continued)

### 2.7 Property and equipment

(a) Measurement

Items of property and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The projected cost of dismantlement, removal or restoration is recognised as part of the cost of property and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring or using the asset.

(b) Depreciation

Work in progress assets are not depreciated. Depreciation on items of property and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | Useful lives |
|---|---|
| Leasehold improvements | Term of the lease |
| Leasehold buildings | Term of the lease |
| Motor vehicle | Term of the lease |
| Furniture, fixtures and office equipment | 3 to 5 years |
| Computers | 3 to 5 years |

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate prospectively, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) Subsequent expenditure

Subsequent expenditure relating to items of property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in statement of comprehensive income when incurred.

## 2. Material accounting policies (continued)

2.7 Property and equipment (continued)

(d) Disposal

On disposal of an item of property and equipment, the difference between the disposal proceeds and its carrying amount is recognised in statement of comprehensive income.

2.8 Intangible assets

(a) Goodwill on acquisition

Goodwill arose upon the acquisition of the Employee Benefits portfolio. The goodwill represents the excess of the consideration transferred over the fair value of the net identifiable assets acquired. Goodwill is measured at cost less accumulated impairment losses.

(b) Postassurance agreement

Postassurance agreement represents amounts paid to secure a distribution arrangement with SingPost which has a finite life expected to be not less than 10 years. It is measured at cost less accumulated amortisation and impairment. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life.

(c) Bancassurance arrangement

Bancassurance agreement provides the Company with a right to the use of the bancassurance network of a bank. The fee for this right is amortised over its useful life of 10 years using the straight-line method.

(d) Computer software

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

## 2. Material accounting policies (continued)

### 2.9 Impairment of non-financial assets

*Property and equipment*

Items of property and equipment are tested for impairment whenever there is any indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount which is the higher of the fair value less cost to sell and the value-in-use is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units (“CGU”) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

Items of property and equipment are assessed at the end of the reporting period whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss of an asset is recognised in profit or loss.

*Goodwill and intangible assets*

The carrying amounts of the Company’s goodwill and intangible assets that have indefinite useful lives or that are not available for use, are tested for impairment annually or whenever there is an indication of impairment. For intangible assets with finite lives, impairment charges will be recognised in profit or loss where evidence of such impairment is observed.

For the purpose of impairment testing, goodwill and intangible assets are allocated to each of the Company’s CGUs expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill and intangible assets, exceeds the recoverable amount of the CGU.

The recoverable amount of a CGU is the higher of the CGU’s fair value less cost to sell and value-in-use.

## 2. Material accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

*Goodwill and intangible assets (continued)*

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill and intangible assets allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

Impairment loss on goodwill and intangible assets is recognised as an expense. Impairment loss on goodwill is not reversed in subsequent periods, while impairment loss on intangible assets is reversed and recognised in profit or loss only to the extent that the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised in prior years.

The recoverable amounts are determined based on value-in-use calculations which are the discounted post-tax cash flow projections. The key assumptions used in the value-in-use calculation are as follows:

a) Premium growth projections from management's expectations of market developments as well as the Company's strategic direction.

b) Profitability ratio expectations for bancassurance channel from past developments with respect to loss development patterns. The loss ratios are expected to remain at the existing levels.

c) SingPost profit margins have been projected based on actuarial assumptions reflecting the Company's experience.

d) The discount rate used for assessment is 9%.

## 2. Material accounting policies (continued)

### 2.10 Financial assets

(i) Classification and measurement

The Company classifies its financial assets into the following measurement categories:

- Amortised cost; and
- Fair value through profit or loss (FVPL);

The classification of debt instruments depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

*At initial recognition*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*At subsequent measurement*

a) *Debt instruments*

FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost is classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

b) *Equity investments*

The Company subsequently measures all its equity investments at their fair values. Equity instruments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading.

Dividends from equity investments are recognised in profit or loss as "dividend income".

## 2. Material accounting policies (continued)

2.10 Financial assets (continued)

(ii) Impairment

The Company assesses on forward looking basis the expected credit losses associated with its financial assets carried at amortised cost.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 4.3 details how the Company determines whether there has been a significant increase in credit risk.

(iii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Company commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2.11 Derivative financial instruments

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting loss or gain depends on whether the derivatives is designated as a hedging instrument, and if so, the nature of the item being hedged.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

## 2. Material accounting policies (continued)

### 2.12 Other payables

Other payables represent liabilities for goods and services provided to the Company prior to end of financial year and which are unpaid.

Other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the assets and settle the liabilities simultaneously.

### 2.14 Leases

When the Company is the lessee

At the inception of the contract, the Company assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

- Right-of-use ("ROU") assets

  The Company recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

  Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property and equipment".

## 2. Material accounting policies (continued)

2.14 Leases (continued)

When the Company is the lessee (continued)

- Lease liabilities

  The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Company shall use its incremental borrowing rate. Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a change in the Company's assessment of whether it will exercise an extension option; or
  - There is a modification in the scope or the consideration of the lease that was not part of the original term.

  Lease liabilities are remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short-term and low-value leases

  The Company has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

  Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Company shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

## 2. Material accounting policies (continued)

### 2.14 Leases (continued)

When the Company is the lessor - subleases

The Company leases office spaces under operating leases to related companies.

The Company as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

The Company classifies its subleases as operating lease. The Company recognises lease income from sublease in profit or loss within “Other income”. The right-of-use asset relating to the head lease is not derecognised.

### 2.15 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provision comprise employee termination payments.

### 2.16 Borrowings

Borrowings are presented as current liabilities unless the Company has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair values (net of transaction costs) and subsequently carried at amortised cost. Borrowing costs are recognised in profit or loss using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### 2.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

## 2. Material accounting policies (continued)

### 2.18 Government grant

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income on a systematic basis over the periods necessary to match them with the related costs which they are intended to compensate. Government grants relating to expenses are shown as offset against the related expenses. Government grants relating to assets are deducted against the carrying amount of the assets.

### 2.19 Dividends

Dividends to the Company's shareholder are recognised when the dividends are approved for payment.

### 2.20 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

### 2.21 Currency translation

The financial statements are presented in Singapore dollars, which is the functional currency of the Company. Transactions in a currency other than the Singapore dollar ("foreign currency") are translated into the Singapore dollar using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

## 2. Material accounting policies (continued)

### 2.22 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes; (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).

The Company considers all of its investments in other funds to be investments in unconsolidated structured entities. The Company invests in funds whose objectives range from achieving medium to long term capital growth. The funds are managed by unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The funds finance their operations by issuing redeemable shares/units which are puttable at the holder’s option and entitle the holder to a proportional stake in the respective fund’s net assets. The Company holds redeemable shares/units in each of these funds.

The change in fair value of the funds is included in the Company’s statement of comprehensive income in “investment income/(loss)”.

## 3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates, assumptions and judgements in determining the reported amount of policy liabilities. These estimates, assumptions and judgements are best estimates of future experience, based on historical experience, trends and other factors.

### 3.1 Insurance and reinsurance contracts

(i) Estimates of future cash flows

As set out in note 2.2, the Company incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date in estimating future cash flows. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Company's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Company takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Company has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:
- claims handling, maintenance and administration costs;
- recurring commissions payable on instalment premiums receivable within the contract boundary;
- costs that the Company will incur in providing investment services;

## 3. Critical accounting estimates, assumptions and judgements (continued)

### 3.1 Insurance and reinsurance contracts (continued)

(i) Estimates of future cash flows (continued)

- costs that the Company will incur in performing investment activities to the extent that the Company performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and income tax and other costs specifically chargeable to the policyholders under the terms of the contracts

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than FRS 17. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Company generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts within each group. Other costs are recognised in statement of comprehensive income as they are incurred.

## 3. Critical accounting estimates, assumptions and judgements (continued)

### 3.1 Insurance and reinsurance contracts (continued)

(i) Estimates of future cash flows (continued)

*Discount rate*

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies.

| | 2023 | | | | |
|---|---|---|---|---|---|
| | 1 year | 5 years | 10 years | 15 years | 20 years |
| All insurance contracts | | | | | |
| SGD | 3.85% | 2.93% | 2.97% | 3.03% | 3.16% |
| USD | 5.55% | 4.64% | 4.68% | 4.78% | 5.11% |

| | 2022 | | | | |
|---|---|---|---|---|---|
| | 1 year | 5 years | 10 years | 15 years | 20 years |
| All insurance contracts | | | | | |
| SGD | 4.41% | 3.64% | 3.54% | 3.54% | 3.57% |
| USD | 4.91% | 3.78% | 3.58% | 3.54% | 3.46% |

## 3. Critical accounting estimates, assumptions and judgements (continued)

3.1 Insurance and reinsurance contracts (continued)

(i) Estimates of future cash flows (continued)

*Discount rate (continued)*

Cash flows that vary based on the returns on any financial underlying items are adjusted for the effect of that variability using risk-neutral measurement techniques and discounted using the risk free rates as adjusted for illiquidity.

When the present value of future cash flows is estimated by stochastic modelling, the cash flows are discounted at scenario-specific rates calibrated, on average, to be the risk-free rates as adjusted for illiquidity.

*Risk adjustments for non-financial risk*

Risk adjustments for non-financial risk are determined to reflect the compensation that the Company would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the Company, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a correlation matrix technique.

The risk adjustments for non-financial risk are determined using a confidence level technique. Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75$^{th}$ percentile (the target confidence level) over the expected present value of the future cash flows.

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Company’s substantive rights and obligations under the contract.

Judgements might be involved to determine when the Company is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums and when premiums reflect risks beyond the coverage period. Where such features as options and guarantees are included in the insurance contracts, judgement may be required to assess the entity’s practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

## 3. Critical accounting estimates, assumptions and judgements (continued)

### 3.1 Insurance and reinsurance contracts (continued)

(ii) Contractual service margin (‘CSM”)

The CSM of a group of contracts is recognised in profit or loss to reflect services provided in each year based on the number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units are reviewed and updated at each reporting date.

(iii) Coverage unit

The number of coverage units provided in the year, which is determined by considering for each contract the quantity of the benefits provided and its expected coverage period, are reviewed and updated at each reporting date. In determination of the coverage units, the type of service is identified based on the terms and features of the insurance contracts. Management then applied judgment in determining the appropriate coverage unit against the type of service identified.

For insurance contracts that provide both insurance coverage and investment services, the assessment of the quantity of benefits entails determining the relative weighting of the benefits provided to the policyholder by these services, determining how the benefits provided by each service change over the coverage period and aggregating those different benefits.

For contracts measured under VFA, or those measured under GMM which meets the criteria to be defined as including an investment return service, the coverage units reflect a weighted sum of insurance service profile (i.e. sums at risk scaled down by opening sum at risk) and the constant measure as set out for investment services with weighting of each profile based on relative present value outgo at the valuation date.

For contracts measured under GMM which does not meet the criteria for having an investment return service, the coverage unit reflects insurance service only. Where there is only insurance service and no non-distinct investment component, the coverage unit reflect a weighted sum of the amounts payable to the policyholder in each of the relevant insured events.

### 3.2 Income taxes

Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain. The Company recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

## 4. Risk management

This section describes the Company's risk exposure, its concentration and the way the Company manages them.

### 4.1 Capital management

The Board of Directors' policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Capital consists of ordinary shares and retained earnings of the Company.

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

All insurers and reinsurers that carry on insurance business in Singapore are registered with the MAS and are subject to the prudential standards which set out the basis for calculating the fund solvency requirements ("FSR") and capital adequacy requirement ("CAR") which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and is determined to be the sum of the aggregate of the total risk requirement of all insurance funds established and maintained by the insurer under the Insurance Act. It is the Company's policy to hold capital levels in excess of the minimum FSR of 100% of total risk requirements and at least 140% of CAR.

The Company seeks to maintain a balance between achieving higher returns while maintaining a sound capital position.

The MAS pursuant to section 18 and 64(2) of the Insurance Act 1966 issued final regulations on 28 Feb 2020 making the new capital regime (RBC2) effective from 31 March 2020. The Company manages its capital based on the new capital regime, RBC2.

### 4.2 Insurance risk management

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to life, accident, health, financial or other perils that may arise from an insurable event. As such, the Company is exposed to the uncertainty surrounding the timing and severity of claims under the contract. The Company also has exposure to market and credit risks through its insurance and investment activities.

The Company manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines, centralised management of reinsurance and monitoring of emerging issues.

## 4. Risk management (continued)

### 4.2 Insurance risk management (continued)

The Company uses several methods to assess and monitor insurance risk exposures both for individual types of risks insured and overall risks. These methods include internal risk measurement models, sensitivity analyses, scenario analyses and stress testing. The Risk Management Committee reviews all risks in accordance with the HSBC Group's Risk Management Framework (RMF) on a regular basis and reports these to the Board of Directors.

(a) Underwriting strategy

The Company's underwriting strategy seeks diversity to ensure a balanced portfolio and is based on a large portfolio of similar risks over a number of years and, as such, it is believed that this reduces the variability of the outcome.

The underwriting strategy is prepared as part of an annual business plan that sets out individual business to be written. This strategy is cascaded down to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write in order to enforce appropriate risk selection within the portfolio.

(b) Reinsurance strategy

The Company reinsures a portion of the risks it underwrites in order to control its exposures to losses and protect capital resources. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company.

Ceded reinsurance contains credit risk, and such reinsurance recoverables are reported after deductions for known insolvencies and uncollectible items. The Company monitors the financial condition of reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically. The Company complies with the HSBC Group's Functional Instruction Manual for acceptable reinsurance and monitors the reinsurance exposure based on the outlined framework. The Board of Directors reviews the Reinsurance Management Strategy on an annual basis.

(c) Terms and conditions of insurance contracts

The terms and conditions of insurance contracts that have a material effect on the amount, timing and uncertainty of future cash flows arising from insurance contracts are set out below.

The following gives an assessment of the Company's main products and the ways in which it manages the associated risks.

**4. Risk management** (continued)

4.2 Insurance risk management (continued)

(c) Terms and conditions of insurance contracts (continued)

(i) Long-term non-unit linked insurance contracts and investment contracts – with discretionary participation features

*Product features*

The Company writes participating business, comprising insurance and savings products including whole life and endowment plans. These plans offer benefit payout upon death, surrender or policy maturity. The bonus payments are designed to distribute to policyholder, the income on assets in the with-profits fund based on a long-term rate of return. These contracts provide more capital security to policyholders than unit-linked contracts.

*Management of risks*

The Company has complete contractual discretion on the timing and quantum of bonuses declared. In practice the Company considers policyholders’ reasonable expectations when setting bonus levels. The Company’s reputation may be at risk should the policyholders’ dividend payment drop significantly from their expectation. It is the Company’s intention to maintain a smooth dividend scale based on long-term rate of return. Annual reviews are performed to confirm whether the current bonus scale is supportable taking into account the overall experience on investment, claims, operating expense and lapse rate.

Investment risks are managed through matching assets and liabilities. The investment strategy has to ensure sufficient investment return is available to fulfill future policyholders’ expected payout. Mortality risks are managed through reinsurance and sound underwriting.

(ii) Long-term insurance/investment contracts

*Product features*

The Company writes non-participating life insurance policies and investment contracts. These plans offer benefit payout upon death, surrender or policy maturity. Policyholders can also choose to protect themselves against morbidity risks such as health, disability, critical illness and personal accident.

**4. Risk management** (continued)

4.2 Insurance risk management (continued)

(c) Terms and conditions of insurance contracts (continued)

(ii) Long-term insurance/investment contracts (continued)

*Management of risks*

Investment risks are managed through matching assets and liabilities. The investment strategy has to ensure sufficient investment return is available to fulfill future policyholders' expected payout. Mortality and morbidity risks are managed through reinsurance and sound underwriting. The assumptions underlying the calculation of the liabilities under the contracts and adopted in product pricing are also reviewed regularly to ensure that they remain appropriate.

(iii) Long-term insurance contracts – unit-linked products

*Product features*

The Company writes unit-linked life insurance policies, which provide policyholders life insurance protection with direct investment in a variety of funds. Premiums received are invested into chosen funds after deduction of charges for the cost of mortality, morbidity and administration. Funds accumulated within the account will belong to the policyholder.

*Management of risks*

For unit-linked products, the market risk, defined as the risk of loss of fair value resulting from adverse fluctuations in interest and foreign currency exchange rates and equity prices of linked assets, is mostly borne by the policyholders. As a result, the Company is not directly exposed to movements in market values of the underlying assets, except the second order impact on investment management revenues, which is relatively insignificant. The Company assumes reputational risk, as policyholders may compare the performance of the Company's products against similar products in the market.

Mortality and morbidity risks are managed through reinsurance and sound underwriting. Claims and expenses are reviewed regularly to ensure current charges are sufficient to cover the costs. The assumptions underlying the calculation of the liabilities under the contracts and adopted in product pricing are also reviewed regularly to ensure that they remain appropriate.

**4. Risk management** (continued)

4.2 Insurance risk management (continued)

(d) Concentrations of insurance risks

For an insurance company, concentration risk can arise when the Company holds large insurance positions in a specific geographical location, sector, product or individual counterparty. Though the Company's business focus is predominantly on risks originating from Singapore, this geographical concentration does not pose a significant risk to the Company given that Singapore has limited exposure to natural catastrophe. The Company also evaluates the concentration of exposures to individual and cumulative insurance risk and establishes appropriate risk limits and reinsurance policy to ensure that no significant concentrations to individual company or sector arise and reduce any such exposure to levels acceptable to the Company.

The following tables disclose the concentration of gross and net policy liabilities in relation to the type of insurance risk for general insurance activities accepted by the Company:

| Policy liabilities | Gross $'000 | Net $'000 |
|---|---|---|
| **2023** | | |
| **Lines of business** | | |
| - Motor | **99,127** | **16,190** |
| - Accident and health | **29,016** | **26,328** |
| - Commercial lines | **31,493** | **5,629** |
| - Others | **2,148** | **2,148** |
| | **161,784** | **50,295** |
| **2022** | | |
| **Lines of business** | | |
| - Motor | 151,451 | 20,436 |
| - Accident and health | 41,750 | 39,124 |
| - Commercial lines | 64,424 | 10,968 |
| - Others | 6,112 | 5,884 |
| | 263,737 | 76,412 |

## 4. **Risk management** (continued)

### 4.2 Insurance risk management (continued)

(d) Concentrations of insurance risks (continued)

*Claims development information for general insurance activities*

Actual claims payments are compared with previous estimates of the undiscounted amounts of the claims in the claims development disclosure below.

*Development and Movement of General Insurance liability for incurred claims*
*(Gross of Reinsurance) - $000*

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|
| End of accident year | 241,846 | 246,975 | 168,472 | 180,879 | 147,719 | 79,022 | |
| 1 year later | 237,255 | 233,251 | 161,225 | 170,862 | 139,077 | | |
| 2 years later | 245,918 | 231,362 | 151,245 | 170,416 | | | |
| 3 years later | 255,028 | 227,528 | 147,061 | | | | |
| 4 years later | 249,047 | 224,513 | | | | | |
| 5 years later and beyond | 249,157 | | | | | | |
| Estimate of Ultimate Claims | 249,157 | 224,513 | 147,061 | 170,416 | 139,077 | 79,022 | 1,009,246 |
| Cumulative Payments | 243,847 | 220,456 | 142,459 | 143,698 | 111,365 | 43,484 | 905,309 |
| Estimate of liability for incurred claims | 5,310 | 4,057 | 4,602 | 26,718 | 27,712 | 35,538 | 103,937 |
| Estimate of liability for incurred claims of Prior Accident Years | | | | | | | 7,677 |
| Effect of discounting | | | | | | | (3,688) |
| Effect of the risk adjustment margin for non-financial risk | | | | | | | 10,653 |
| Total Estimate of liability for incurred claims | | | | | | | 118,579 |

*Development and Movement of General Insurance liability for incurred claims*
*(Net of Reinsurance) - $000*

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Total |
|---|---|---|---|---|---|---|---|
| End of accident year | 218,215 | 186,157 | 147,758 | 159,933 | 54,337 | 37,668 | |
| 1 year later | 212,007 | 181,299 | 142,636 | 96,733 | 45,977 | | |
| 2 years later | 218,057 | 181,938 | 116,732 | 95,218 | | | |
| 3 years later | 217,562 | 164,696 | 115,899 | | | | |
| 4 years later | 199,950 | 164,284 | | | | | |
| 5 years later and beyond | 199,857 | | | | | | |
| Estimate of Ultimate Claims | 199,857 | 164,284 | 115,899 | 95,218 | 45,977 | 37,668 | 658,903 |
| Cumulative Payments | 199,368 | 163,530 | 115,123 | 93,226 | 41,776 | 23,916 | 636,939 |
| Estimate of liability for incurred claims | 489 | 754 | 776 | 1,992 | 4,201 | 13,752 | 21,964 |
| Estimate of liability for incurred claims of Prior Accident Years | | | | | | | 978 |
| Effect of discounting | | | | | | | (379) |
| Effect of the risk adjustment margin for non-financial risk | | | | | | | 1,313 |
| Total Estimate of liability for incurred claims | | | | | | | 23,876 |

**4. Risk management** (continued)

4.2 Insurance risk management (continued)

(d) Concentrations of insurance risks (continued)

*Reinsurance strategy in managing concentrations*

The Company cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual risks, defined blocks of business, and on a co-insurance basis, yearly renewable term, excess or catastrophe excess basis. These reinsurance agreements spread the risk and minimise the effect of losses. The amount of each risk retained depends on the Company's evaluation of the specific risk, subject in certain circumstances, to maximum limits based on characteristics of coverage. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount or sums surplus of deductibles on non-proportional reinsurance in the event the claim is paid. However, the Company remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes.

For long-term business, the level of reinsurance required is assessed by the use of specific modelling of the Company's exposure to life risks, and also to manage the retained risk profile against the approved Insurance Risk Mandate. The financial projections produced from these models are based on a number of possible scenarios providing a detailed analysis of the potential exposures.

When selecting a reinsurer, the Company considers their relative credit strength, assessed from public rating information and internal assessments, in accordance with prescribed HSBC Group's Functional Instruction Manual.

## 4. Risk management (continued)

### 4.2 Insurance risk management (continued)

(e) Sensitivity analysis

Changes in insurance risk variables mainly affect the CSM, profit or loss and equity as follows. The effects on profit or loss and equity are presented net of the related income tax.

CSM:
- Changes in fulfilment cash flows not relating to any loss components, other than those recognised as insurance finance income or expenses.

Profit or loss:
- Changes in fulfilment cash flows relating to loss components.
- Changes in fulfilment cash flows that are recognised as insurance finance income or expenses in profit or loss.

Equity
- Changes in fulfilment cash flows that are recognised as insurance finance income
- The effect on profit or loss as above

The table below analyses how the CSM, profit or loss and equity would have increased (decreased) if changes in underwriting risk variables that were reasonably possible at the reporting date had occurred. This analysis presents the sensitivities both before and after risk mitigation by reinsurance and assumes that all other variables remain constant.

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **CSM** | | **Profit or loss after tax** | | **Equity** | |
| | **Gross $'000** | **Net $'000** | **Gross $'000** | **Net $'000** | **Gross $'000** | **Net $'000** |
| **Life - Participating** | | | | | | |
| - Mortality and/or morbidity rates increased by 10% | **(87,269)** | **(31,673)** | **(34,119)** | **(9,008)** | **(34,119)** | **(9,008)** |
| - Mortality and/or morbidity rates decreased by 10% | **125,011** | **29,875** | **11,049** | **10,847** | **11,049** | **10,847** |
| - Expenses increased by 10% | **(16,812)** | **(16,797)** | **(439)** | **(443)** | **(439)** | **(443)** |
| - Expenses decreased by 10% | **14,964** | **15,090** | **1,780** | **1,780** | **1,780** | **1,780** |
| - Lapse rates increased by 10% | **(43,126)** | **(39,070)** | **(16,934)** | **(3,482)** | **(16,934)** | **(3,482)** |
| - Lapse rates decreased by 10% | **65,248** | **44,497** | **6,646** | **5,622** | **6,646** | **5,622** |

## 4. Risk management (continued)

### 4.2 Insurance risk management (continued)

#### (e) Sensitivity analysis (continued)

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | CSM | | Profit or loss after tax | | Equity | |
| | Gross $'000 | Net $'000 | Gross $'000 | Net $'000 | Gross $'000 | Net $'000 |
| **Other** | | | | | | |
| - Loss ratio increased by 10% | (4,837) | (4,142) | (2,174) | (1,188) | (2,174) | (1,188) |
| - Loss ratio decreased by 10% | 4,648 | 3,683 | 1,088 | 422 | 1,088 | 422 |
| - Mortality and/or morbidity rates increased by 10% | (32,752) | (14,675) | (3,501) | (2,301) | (3,501) | (2,301) |
| - Mortality and/or morbidity rates decreased by 10% | 34,774 | 15,443 | 1,787 | 1,429 | 1,787 | 1,429 |
| - Expenses increased by 10% | (4,265) | (4,476) | (1,211) | (983) | (1,211) | (983) |
| - Expenses decreased by 10% | 4,006 | 4,220 | 1,450 | 1,221 | 1,450 | 1,221 |
| - Lapse rates increased by 10% | 1,868 | 4,033 | (938) | (878) | (938) | (878) |
| - Lapse rates decreased by 10% | (3,620) | (6,076) | 766 | 720 | 766 | 720 |

## 4. Risk management (continued)

### 4.2 Insurance risk management (continued)

#### (e) Sensitivity analysis (continued)

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | CSM | | Profit or loss after tax | | Equity | |
| | Gross $'000 | Net $'000 | Gross $'000 | Net $'000 | Gross $'000 | Net $'000 |
| **Life - Participating** | | | | | | |
| - Mortality and/or morbidity rates increased by 10% | (52,530) | (16,906) | (3,386) | (6,755) | (3,386) | (6,755) |
| - Mortality and/or morbidity rates decreased by 10% | 52,270 | 15,323 | 3,358 | 6,900 | 3,358 | 6,900 |
| - Expenses increased by 10% | (9,245) | (9,404) | (562) | (572) | (562) | (572) |
| - Expenses decreased by 10% | 9,050 | 9,025 | 541 | 545 | 541 | 545 |
| - Lapse rates increased by 10% | (18,608) | (14,794) | (1,410) | (1,781) | (1,410) | (1,781) |
| - Lapse rates decreased by 10% | 17,528 | 13,500 | 1,358 | 1,754 | 1,358 | 1,754 |

## 4. Risk management (continued)

### 4.2 Insurance risk management (continued)

#### (e) Sensitivity analysis (continued)

| | 2022 | | | | | |
|---|---|---|---|---|---|---|
| | CSM | | Profit or loss after tax | | Equity | |
| | Gross $'000 | Net $'000 | Gross $'000 | Net $'000 | Gross $'000 | Net $'000 |
| **Other** | | | | | | |
| - Loss ratio increased by 10% | (6,697) | (3,979) | (1,699) | (984) | (1,699) | (984) |
| - Loss ratio decreased by 10% | 6,462 | 3,563 | 550 | 16 | 550 | 16 |
| - Mortality and/or morbidity rates increased by 10% | (29,417) | (14,236) | (1,034) | (778) | (1,034) | (778) |
| - Mortality and/or morbidity rates decreased by 10% | 30,034 | 14,644 | 714 | 471 | 714 | 471 |
| - Expenses increased by 10% | (3,386) | (3,690) | (1,676) | (1,368) | (1,676) | (1,368) |
| - Expenses decreased by 10% | 3,406 | 3,751 | 1,658 | 1,310 | 1,658 | 1,310 |
| - Lapse rates increased by 10% | 294 | 2,841 | (738) | (744) | (738) | (744) |
| - Lapse rates decreased by 10% | (1,543) | (4,418) | 833 | 845 | 833 | 845 |

**4. Risk management** (continued)

4.3 Financial risk management

(a) Investment risk

*Investment philosophy*

The core concepts of the Company's investment philosophy centre on the following principles:

- Insurance funds are segregated into distinct categories based on return or risk objectives and requirements such as time horizon, nature of liabilities.

- Return and risk objectives of the life insurance funds are determined in consultation with the Appointed Actuary, taking into account guaranteed returns and required returns, nature and duration of liabilities and tax considerations.

- Investment portfolios are constructed based on fund return objectives and the Company's risk appetite statements.

- Investment limits, including those stipulated by the MAS, Central Provident Fund ("CPF") and HSBC Group, are considered constraints and communicated to Fund Managers.

- Liquidity requirements that are known (maturity and coupon payments) are communicated to Fund Managers.

- The approved Market Risk and Credit Risk Mandates and Investment Policy will be provided to Fund Managers on an annual basis, or communicated when changed.

The philosophy serves as guidelines for the investment decisions and activities of the Company. It ensures consistency in the investment practice of the Company.

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(a) Investment risk (continued)

*Investment objectives*

The Participating Fund aims to achieve investment return that satisfies the implied guaranteed rate and the projected bonus level for policyholders and a reasonable return for shareholders.

The Non-participating Fund aims to achieve investment returns that satisfies the guaranteed rate and reasonable return for shareholders.

The General Insurance Fund aims to achieve a reasonable return for shareholders while meeting the short term liquidity requirements.

The Shareholder’s Fund aims to preserve the capital and achieve reasonable return for shareholders.

*Investment processes*

The Company aims to maximise the economic benefits from investment activities whilst ensuring investment risks are prudently managed. This will include the development of an investment process for strategic and tactical asset allocation, implementation and monitoring of investment risks and hedging strategies for the Insurance and Shareholder funds, manage all investment related risks, monitor investment performance, conduct fund manager search and evaluation, perform investment product due diligence, design and implement appropriate control measures to ensure compliance with risk limits, regulations and internal restrictions.

The Insurance and Shareholder funds of the Company are predominantly managed by HSBC Global Asset Management (Singapore) Private Limited (“AMSG”). AMSG is provided with the Investment Policy and Market & Credit Risk Mandates for the funds under their management and are required to apply reasonable level of diligence and prudence to manage the funds.

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(a) Investment risk (continued)

Asset allocation by insurance funds:

| | Participating fund | Non-participating fund | General Insurance fund |
|---|---|---|---|
| **31 December 2023** | | | |
| **Asset class** | | | |
| Bonds | **68%** | **97%** | **63%** |
| Growth assets (including equities and alternative investments) | **31%** | **2%** | **26%** |
| Cash | **1%** | **1%** | **11%** |
| | | | |
| **31 December 2022** | | | |
| **Asset class** | | | |
| Bonds | 71% | 96% | 57% |
| Growth assets (including equities and alternative investments) | 26% | 0% | 27% |
| Cash | 3% | 4% | 16% |

The Participating Fund is invested in both fixed income assets and growth assets; while Non-participating and General Insurance Funds are invested predominantly in fixed income assets. Investment-grade corporate bonds in the Insurance funds are mainly denominated in US Dollar and Singapore Dollar. Hedging is typically used in the fixed income portfolios to manage foreign exchange risk.

Growth assets exposures in the Participating Fund are acquired through Exchange-traded funds ("ETFs"), collective investment schemes and derivative instruments. Currency risk derived from investment in foreign growth assets is managed tactically.

## 4. Risk management (continued)

### 4.3 Financial risk management (continued)

(a) Investment risk (continued)

**Underlying items**

The following table sets out the composition and the fair value of underlying items of the Company's direct participating contracts at the reporting date.

| $'000 | 2023 | 2022 (restated) |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | **290,954** | 108,073 |
| Financial assets, at fair value through profit or loss | **10,443,257** | 3,865,798 |
| Derivative financial instruments | **115,205** | 58,560 |
| Amount due from related companies | **1,105** | - |
| Other receivables | **146,756** | 8,915 |
| | **10,997,277** | 4,041,346 |

*Asset-liability management*

The Company actively manages its assets using an approach that balances quality, diversification, asset/liability matching, liquidity and investment return. The goal of the investment process is to optimise the investment income and risk-adjusted total return, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. The Asset-Liability Management Committee reviews and approves target portfolios on a periodic basis, establishing investment guidelines and limits, and providing oversight of the asset/liability management process.

The Company establishes target asset portfolios for each insurance class of products, which represents the investment strategies used to profitably fund its liabilities within acceptable levels of risk. Many of these estimates are inherently subjective and could impact the Company's ability to achieve its asset/liability management goals and objectives.

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(b) Market risk

Market risk arises when the market values of assets and liabilities do not move consistently as financial markets change. Changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

HSBC Group and the Asset and Liability Committee ("ALCO") actively manage risks through setting of investment policy and strategic asset allocation, approving risk measurement methodologies and annual limits in the market risk mandate. Investment limits monitoring is in place at various levels to ensure that all investment activities are aligned with the Group's risk management principles and philosophies.

(i) Cash flows and fair value interest rate risk

The Company's exposure to market risk for changes in interest rate is concentrated in its investment portfolio and insurance liabilities. The Company monitors this exposure through periodic reviews of its asset and liability positions. Estimates of cash flows, as well as the impact of interest rate fluctuations relating to the investment portfolio and insurance liabilities, are modelled and reviewed regularly. The overall objective of these strategies is to limit the net changes in the value of assets and liabilities arising from interest rate movements. The Company is also exposed to reinvestment risk arising from the changes in future interest rates.

The VFA measurement model is used for most of the contracts issued by the Company, with changes in the fair value of underlying items (excluding additions and withdrawals) recognised in insurance finance income or expenses. The exposure to interest rate risk from the Company's financial assets is minimal.

Any changes in the interest rate would affect the CSM, profit or loss and equity. At the balance sheet date, if interest rates had been 100 basis points lower or higher with all other variables, including the tax rate, being held constant, the effect on profit or loss after tax on the non-participating fund, general insurance and the shareholder fund would have been:

## 4. **Risk management** (continued)

### 4.3 Financial risk management (continued)

(b) Market risk (continued)

(i) Cash flows and fair value interest rate risk (continued)

| | **2023** | | | 2022 (restated) | | |
|---|---|---|---|---|---|---|
| | **CSM $'000** | **Profit or loss $'000** | **Equity $'000** | CSM $'000 | Profit or loss $'000 | Equity $'000 |
| Interest rate changes | | | | | | |
| - decreased by 100 bps | **(50,065)** | **(15,465)** | **(15,465)** | (24,643) | (973) | (973) |
| - increased by 100 bps | **16,800** | **(2,439)** | **(2,439)** | 24,002 | 2,089 | 2,089 |

The Company is subject to duration mismatch due to the longer policy liability duration than the available bond durations. The tables below show the interest-bearing financial assets and liabilities by ageing bucket:

| | Fixed rates | | | | | |
|---|---|---|---|---|---|---|
| $'000 | Less than 1 year | 1 to 5 years | Over 5 years | Floating Over 5 years | Non-interest bearing | Total |
| **2023** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | **318,655** | **-** | **-** | **-** | **-** | **318,655** |
| Financial assets, at fair value through profit and loss | **568,172** | **381,395** | **5,001,157** | **88,029** | **4,666,729** | **10,705,482** |
| Financial assets, at amortised cost | **-** | **15,974** | **-** | **-** | **-** | **15,974** |
| Loans and receivables* | **191,368** | **-** | **-** | **-** | **-** | **191,368** |
| Amount due from related companies | **1,105** | **-** | **-** | **-** | **-** | **1,105** |
| Derivative financial instruments | **60,063** | **19,933** | **37,174** | **-** | **-** | **117,170** |
| | **1,139,363** | **417,302** | **5,038,331** | **88,029** | **4,666,729** | **11,349,754** |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments | **28,639** | **5,151** | **16,832** | **-** | **-** | **50,622** |
| Income tax payable | **2,560** | **-** | **-** | **-** | **-** | **2,560** |
| Amount due to related companies | **15,296** | **-** | **-** | **-** | **-** | **15,296** |
| Borrowings | **98** | **86** | **-** | **-** | **-** | **184** |
| Other payables and accruals | **13,542** | **-** | **-** | **-** | **303,715** | **317,257** |
| | **60,135** | **5,237** | **16,832** | **-** | **303,715** | **385,919** |

* excluded prepayment

## 4. Risk management (continued)

### 4.3 Financial risk management (continued)

(b) Market risk (continued)

(i) Cash flows and fair value interest rate risk (continued)

| $'000 | Fixed rates Less than 1 year | Fixed rates 1 to 5 years | Fixed rates Over 5 years | Floating Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|
| **2022 (restated)** | | | | | | |
| **Financial assets** | | | | | | |
| Cash and cash equivalents | 183,254 | - | - | - | - | 183,254 |
| Financial assets, at fair value through profit and loss | 30,195 | 158,501 | 1,024,581 | 24,263 | 2,900,484 | 4,138,024 |
| Loans and receivables* | 35,297 | - | - | - | - | 35,297 |
| Derivative financial instruments | 26 | 1,793 | 15,279 | - | 42,626 | 59,724 |
| | 248,772 | 160,294 | 1,039,860 | 24,263 | 2,943,110 | 4,416,299 |
| **Financial liabilities** | | | | | | |
| Derivative financial instruments | - | - | 21,048 | - | 2,911 | 23,959 |
| Income tax payable | - | - | - | - | 1,657 | 1,657 |
| Amount due to related companies | - | - | - | - | 29,726 | 29,726 |
| Other payables and accruals | 11,637 | - | - | - | 235,219 | 246,856 |
| | 11,637 | - | 21,048 | - | 269,513 | 302,198 |

* excluded prepayment

The estimated maturity profile in respect of insurance contracts is disclosed in Note 4.3(d).

## 4. Risk management (continued)

### 4.3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Equity price risk

The Company's portfolio of marketable equity securities, which are carried at fair value, has exposure to price risk, defined as the potential loss in market value resulting from an adverse change in asset prices. The Company's objective is to earn competitive relative returns by investing in a diverse portfolio of high quality, liquid securities. Portfolio characteristics are analysed regularly where holdings are diversified across industries, and concentrations in any one company or industry are limited by parameters established by the HSBC Group.

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

If prices for equity securities listed in stock exchanges in Singapore and overseas had changed by 10% with all other variables, including the tax rate, being held constant, the effect on CSM and profit or loss after tax in 2023 would have been:

| | **2023** | | | 2022 (restated) | | |
|---|---|---|---|---|---|---|
| | **CSM** | **Profit or loss after tax** | **Equity** | CSM | Profit or loss after tax | Equity |
| | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 |
| Quoted equity securities | | | | | | |
| - increased by 10% | **-** | **8,905** | **8,905** | - | 2 | 2 |
| - decreased by 10% | **-** | **(8,905)** | **(8,905)** | - | (2) | (2) |

## 4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Foreign exchange risk

The Company is exposed to foreign currency exchange rate risks in respect of its asset holdings in foreign currency denominated investments and cash deposits and in respect of foreign currency denominated liabilities. In managing exchange rate risks, the Company enters into forward exchange contracts and currency swaps to hedge foreign currency risks.

The Company's foreign currency exchange position of financial assets and liabilities by major currencies are shown in the following tables:

| $'000 | EUR | USD | GBP |
|---|---|---|---|
| **2023** | | | |
| **Financial assets** | | | |
| - Loans and receivables | **23** | **100,796** | **321** |
| - Derivative financial instruments | **781** | **258** | **-** |
| - Financial assets, at fair value through profit or loss | **89,959** | **5,834,341** | **140,378** |
| - Financial assets, at amortised cost | **-** | **15,974** | **-** |
| - Cash and cash equivalents | **1,988** | **109,678** | **263** |
| **Total financial assets** | **92,751** | **6,061,047** | **140,962** |
| Insurance contract assets | **-** | **1,149** | **-** |
| Reinsurance contracts assets | **-** | **152,820** | **-** |
| | **92,751** | **6,215,016** | **140,962** |
| **Financial liabilities** | | | |
| - Other payables and accruals | **5** | **383,635** | **1,415** |
| **Total financial liabilities** | **5** | **383,635** | **1,415** |
| Insurance contract liabilities | **-** | **3,674,377** | **-** |
| Reinsurance contract liabilities | **-** | **356,058** | **-** |
| | **5** | **4,414,070** | **1,415** |
| **Net position** | **92,746** | **1,800,946** | **139,547** |
| Less: Net currency forwards | **(70,220)** | **(1,096,076)** | **(1,422)** |
| Less: Net currency swaps | **781** | **(309,914)** | **-** |
| **Currency exposures** | **23,307** | **394,956** | **138,125** |

## 4. **Risk management** (continued)

### 4.3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (iii) Foreign exchange risk (continued)

| $'000 | EUR | USD | GBP |
|---|---|---|---|
| **2022 (restated)** | | | |
| **Financial assets** | | | |
| - Loans and receivables | 76 | 9,537 | 37 |
| - Derivative financial instruments | 632 | 170 | - |
| - Financial assets, at fair value through profit or loss | 100,497 | 792,666 | 75,093 |
| - Cash and cash equivalents | 5,355 | 12,359 | 268 |
| **Total financial assets** | 106,560 | 814,732 | 75,398 |
| **Financial liabilities** | | | |
| - Other payables and accruals | - | 11,637 | - |
| - Derivative financial instruments | 409 | - | - |
| **Total financial liabilities** | 409 | 11,637 | - |
| **Net position** | 106,151 | 803,095 | 75,398 |
| Less: Net currency forwards | (78,199) | (397,355) | (1,314) |
| Less: Net currency swaps | - | (300,024) | - |
| **Currency exposures** | 27,952 | 105,716 | 74,084 |

Certain EUR and GBP financial assets and liabilities are used to support USD denominated insurance liabilities. The VFA measurement model is used for most of the contracts issued by the Company, with changes in the foreign currency gain or losses of underlying items shared with policyholders, the exposure to foreign exchange risk from the Company's EUR and GBP financial assets and liabilities is minimal.

If the USD change against the SGD by 10% (2022: 10%) with all other variables, including the tax rate, being held constant, the effects on CSM, profit or loss and equity arising from the net financial asset/liability position will be as follows:

| | **2023** | | | 2022 (restated) | | |
|---|---|---|---|---|---|---|
| | **CSM** | **Profit or loss after tax** | **Equity** | CSM | Profit or loss after tax | Equity |
| | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 |
| USD against SGD | | | | | | |
| - strengthened | **7,898** | **(11,906)** | **(11,906)** | 1,259 | 32 | 32 |
| - weakened | **(7,898)** | **11,906** | **11,906** | (1,259) | (32) | (32) |

## 4. Risk management (continued)

### 4.3 Financial risk management (continued)

#### (c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and hence, arises primarily from the Company's investment securities.

The carrying amount of financial assets in the balance sheet represents the Company's respective maximum exposure to credit risk, before taking into account any collateral held.

The Company is not exposed to significant credit risk arising from financial assets and liabilities held in the investment linked funds as the risk is borne by the policyholders. For reinsurance receivables, the Company limits its credit risk exposure by contracting with reputable counterparties that have sound credit ratings above investment grade. At 31 December 2023, the maximum exposure to credit risk from insurance contracts assets are $56.3 million (2022: $15.6 million), which primarily relates to premiums receivable for services that the Company has already provided, and the maximum exposure to credit risk from reinsurance contracts assets are $176.2 million (2022: $209.5 million). As such corresponding financial assets and liabilities have been excluded from the disclosures below.

The following table sets out information about the credit quality of investments securities measured at FVTPL and amortised cost.

| | AAA<br>$'000 | AA- to AA+<br>$'000 | A- to A+<br>$'000 | BBB- to BBB+<br>$'000 | Not rated<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| Financial assets, at fair value through profit or loss | **1,134,400** | **689,645** | **2,796,979** | **856,084** | **561,645** | **6,038,753** |
| Financial assets, at amortised cost | **-** | **-** | **-** | **-** | **15,974** | **15,974** |
| Derivative financial instruments | **-** | **-** | **117,170** | **-** | **-** | **117,170** |
| | **1,134,400** | **689,645** | **2,914,149** | **856,084** | **577,619** | **6,171,897** |
| **2022 (restated)** | | | | | | |
| Financial assets, at fair value through profit or loss | 594,596 | 119,725 | 193,233 | 204,778 | 125,208 | 1,237,540 |
| Derivative financial instruments | - | - | 59,724 | - | - | 59,724 |
| | 594,596 | 119,725 | 252,957 | 204,778 | 125,208 | 1,297,264 |

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

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(c) Credit risk (continued)

The Company uses the following categories of internal credit risk rating for financial assets which are subject to expected credit losses under the 3-stage general approach. These four categories reflect the respective credit risk and how the loss provision is determined for each of those categories.

| Category of internal credit rating | Definition of category | Basis for recognition of expected credit losses |
|---|---|---|
| Performing | Borrower or issuer have a low risk of default and a strong capacity to meet contractual cash flows | 12-month expected credit losses |
| Underperforming | Borrower or issuer for which there is a significant increase in credit risk; a significant increase in credit risk is presumed if interest and/or principal repayment are 30 days past due | Lifetime expected credit losses |
| Non-performing | Interest and/or principal payment are 90 days past due | Lifetime expected credit losses |
| Write-off | Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery | Asset is written off |

*Cash and investments*

Cash and equivalents are placed with banks and financial institutions which are regulated. The Company's portfolio of fixed income securities is subject to credit risk, defined as potential loss in market value due to adverse changes in the borrower's ability to repay the debt. This risk is managed by investing in a diversified portfolio of securities, coupled with stringent review of credit risk up-front and regular reviews of credit developments by ALCO. The Company limits its credit risk exposure from fixed income securities by investing in more liquid securities and with counterparties that have sound credit ratings.

For investment in corporate bonds, financial loss may also materialise as a result of credit spread widening. When spreads widen between corporate bonds of different credit ratings, it implies that the market is factoring more risk of default on lower rated bonds. Credit spread widening will result in devaluation of the Company's bond portfolios. The Company limits its credit spread risk by adhering to parameters established by the HSBC Group. Group-wide credit risk managed by HSBC Group stipulates internal limits by issuer or counterparty and by credit rating. Approved limits in the Credit Risk Mandate are actively monitored to manage the credit and concentration risk.

Policy loans are fully collaterised against the cash value of the policies. Therefore, the Company has no material credit risk on policy loans.

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(c) Credit risk (continued)

*Insurance and other receivables*

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of insurance receivables. This allowance comprises a specific loss component that relates to individually significant exposures.

The allowance account in respect of other receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible. At that point the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the reporting date there were no significant concentrations of credit risk. There may be exposure to significant credit risk relating to the reinsurance solution upon the occurrence of a significant adverse event in the future, however, the likelihood of occurrence of this event is remote.

*Impairment of financial assets*

As at 31 December 2023 and 31 December 2022, the impairment of the financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

*Credit quality analysis*

The following table sets out information about the credit quality of investment securities measured at amortised cost.

## 4. Risk management (continued)

### 4.3 Financial risk management (continued)

(c) Credit risk (continued)

*Credit quality analysis* (continued)

Movement in credit loss allowance for financial assets are set out as follows:

| | Financial assets at amortised cost $'000 | Total $'000 |
|---|---|---|
| **Balance as at 31 December 2022 (restated)** | - | - |
| **Balance as at 1 January 2023** | - | - |
| Movement in allowance recognised in profit or loss during the year on: | | |
| - Asset acquired/originated | **20** | **20** |
| - Reversal of unutilised amount | **-** | **-** |
| | **20** | **20** |
| **Balance as at 31 December 2023** | **20** | **20** |

## 4. Risk management (continued)

### 4.3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company has to meet daily calls on its cash resources, notably from claims arising on its claims maturities and surrenders. Expected liquidity demands are managed through a combination of investment and asset-liability management practices, which are monitored on an ongoing basis.

The Company conducts asset-liabilities modelling to determine exposures to liquidity needs. The Asset Liability Management Committee has considered the nature of the liabilities in terms of their duration and has assessed that the current portfolio mix, combined with the participating nature of the insurance contract liabilities, has adequately mitigated the mismatching risk to an acceptable level.

The nature of insurance business is that the requirements of funding cannot be predicted with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will be settled. The amounts and maturities in respect of insurance and investment contract with discretionary participation features provisions are thus based on the management's best estimate and past experience.

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

The tables below summarise the maturity profile of the Company's financial liabilities based on the remaining period from the balance sheet date to the contractual maturity date. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

The Company is not exposed to significant liquidity risk arising from financial assets and liabilities held in the investment linked funds as the risk is borne by the policyholders. As such corresponding financial assets and liabilities have been excluded from the disclosures below.

## 4. **Risk management** (continued)

### 4.3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

| | Less than 1 year $'000 | 1 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
|---|---|---|---|---|
| **2023** | | | | |
| Other payables | **317,257** | **-** | **-** | **317,257** |
| Amount due to related companies | **15,296** | **-** | **-** | **15,296** |
| Derivative financial instruments | **28,639** | **5,151** | **16,832** | **50,622** |
| | **361,192** | **5,151** | **16,832** | **383,175** |
| 2022 (restated) | | | | |
| Other payables | 246,856 | - | - | 246,856 |
| Amount due to related companies | 29,726 | - | - | 29,726 |
| Derivative financial instruments | 2,502 | 409 | 21,048 | 23,959 |
| | 279,084 | 409 | 21,048 | 300,541 |

The following table provides a maturity analysis of the Company's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur.

| | Estimates of present value of future cash flows | | | | | | |
|---|---|---|---|---|---|---|---|
| | Less than 1 year $'000 | 1 to 2 years $'000 | 2 to 3 years $'000 | 3 to 4 years $'000 | 4 to 5 years $'000 | Over 5 years $'000 | Total $'000 |
| **2023** | | | | | | | |
| **Insurance contracts** | | | | | | | |
| Liabilities – direct participating contracts* | **(114,468)** | **(245,236)** | **(172,292)** | **(184,072)** | **(130,517)** | **9,777,243** | **8,930,658** |
| Liabilities – other contracts | **209,584** | **24,820** | **(14,904)** | **(21,008)** | **(11,574)** | **46,836** | **233,754** |
| | **95,116** | **(220,416)** | **(187,196)** | **(205,080)** | **(142,091)** | **9,824,079** | **9,164,412** |
| **Reinsurance contracts** | | | | | | | |
| Liabilities | **(91,149)** | **(15,903)** | **5,173** | **5,975** | **6,473** | **631,165** | **541,734** |
| **2022** | | | | | | | |
| **Insurance contracts** | | | | | | | |
| Liabilities – direct participating contracts* | (138,586) | (229,442) | (212,496) | (205,507) | (205,708) | 3,852,490 | 2,860,751 |
| Liabilities – other contracts | 190,565 | 15,764 | (4,189) | (12,650) | (14,386) | (8,766) | 166,338 |
| | 51,979 | (213,678) | (216,685) | (218,157) | (220,094) | 3,843,724 | 3,027,089 |
| **Reinsurance contracts** | | | | | | | |
| Liabilities | (10,628) | 866 | 1,375 | 1,652 | 1,915 | 129,770 | 124,950 |

* The insurance contracts balance excludes insurance acquisition cash flows assets and other pre-recognition cash flows.

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(d) Liquidity risk (continued)

The amounts from insurance contract liabilities that are payable on demand are set out below.

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **Amount payable on demand $'000** | **Carrying value $'000** | Amount payable on demand $'000 | Carrying value $'000 |
| **2023** | | | | |
| Direct participating contracts | **9,601,719** | **9,989,616** | 3,207,533 | 3,588,203 |
| Other contracts | **75,082** | **386,538** | 5,952 | 300,381 |
| | **9,676,801** | **10,376,154** | 3,213,485 | 3,888,584 |

(e) Fair value measurements

The Company is not exposed to significant market risk arising from financial assets and liabilities held in the investment linked funds as the risk is borne by the policyholders. As such corresponding financial assets and liabilities have been excluded from the disclosures below.

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- quoted price in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data (Level 3).

## 4. Risk management (continued)

### 4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

| | Level 1<br>$'000 | Level 2<br>$'000 | Level 3<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|
| **2023** | | | | |
| *Assets* | | | | |
| Financial assets, at fair value through profit or loss | **4,348,721** | **5,687,660** | **669,101** | **10,705,482** |
| Derivative financial instruments | **-** | **117,170** | **-** | **117,170** |
| **Total assets** | **4,348,721** | **5,804,830** | **669,101** | **10,822,652** |
| *Liabilities* | | | | |
| Derivative financial instruments | **-** | **50,622** | **-** | **50,622** |
| **Total liabilities** | **-** | **50,622** | **-** | **50,622** |
| **2022** | | | | |
| *Assets* | | | | |
| Financial assets, at fair value through profit or loss | 3,251,023 | 766,365 | 120,636 | 4,138,024 |
| Derivative financial instruments | - | 59,724 | - | 59,724 |
| **Total assets** | 3,251,023 | 826,089 | 120,636 | 4,197,748 |
| *Liabilities* | | | | |
| Derivative financial instruments | - | 23,959 | - | 23,959 |
| **Total liabilities** | - | 23,959 | - | 23,959 |

The Company has an established control framework with respect to the measurement of fair values. This includes an investment operations team who has an overall responsibility for all significant fair value measurements. This team is supported and receive expert guidance from the parent / group companies.

On receipt of a valuation from the fund managers, the investment operations team runs independent price verification for the securities for which market data is available. Any reasons for variances are investigated and addressed. For the securities where market inputs are unobservable and where derivation of fair value is more judgmental, for ascertaining the reasonableness, it relies on the advice and guidance from the parent / group companies who have established infrastructure & expertise to ascertain the same. In addition, all valuation matters are considered jointly by chief financial officer & chief investment officer and are deliberated, challenged & agreed at the Valuation Committee as part of formal governance process.

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

The valuation team regularly reviews significant unobservable inputs if applicable and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

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

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

A significant increase/(decrease) in net asset value would result in a higher/(lower) fair value measurement. The following table presents the movements in Level 3 instruments:

| | **2023** **$'000** | 2022 $'000 |
|---|---|---|
| Beginning of financial year | **120,636** | 51,266 |
| Business transfer | **277,666** | - |
| Purchases, net of return on excess capital | **351,362** | 10,096 |
| Transfer in from Level 1 | **-** | 21 |
| Transfer in from Level 2 | **-** | 57,053 |
| Net (loss)/gain recognised in profit or loss | **(80,563)** | 2,200 |
| End of financial year | **669,101** | 120,636 |

The following table shows the valuation technique and input used in Level 3 fair value measurements.

| **Description** | **Fair Value at 31 December 2023** | **Valuation technique** | **Unobservable inputs** | **Reasonable possible shift +/-** | **Change in valuation** |
|---|---|---|---|---|---|
| | **$'000** | | | | **$'000** |
| Private equity funds | **$382,521** (2022: $120,615) | NAV - Adjusted | NAV and Fair Value Adjustments | +/- 5% | **+/- $19,126** (2022: +/- $6,031) |
| Unquoted shares | **$21** (2022: $21) | NAV - Adjusted | NAV and Fair Value Adjustments | +/- 5% | **+/- $1** (2022: +/- $1) |
| Unquoted debt securities | **$286,559** (2022: $Nil) | Discounted cash flow | Yield | +/- 5% | **+/- $14,328** (2022: +/- $1) |

**4. Risk management** (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

*Financial instruments by category*

The aggregate carrying amounts of financial assets and liabilities are as follows:

| | **2023** |
|---|---|
| | **$'000** |
| **Financial assets** | |
| Fair value through profit and loss | **10,822,652** |
| Amortised cost | **15,974** |
| Loans and other receivables | **191,368** |
| Amount due from related companies | **1,105** |
| Cash and cash equivalents | **318,655** |
| Total | **11,349,754** |
| | |
| **Financial liabilities** | |
| Fair value through profit and loss | **50,622** |
| Borrowings | **184** |
| Amount due to related companies | **15,296** |
| Other payables and accruals | **317,257** |
| Total | **383,359** |

| | 2022 |
|---|---|
| | (restated) |
| | $'000 |
| **Financial assets** | |
| Fair value through profit and loss | 4,197,748 |
| Loans and other receivables | 35,297 |
| Cash and cash equivalents | 183,254 |
| Total | 4,416,299 |
| | |
| **Financial liabilities** | |
| Fair value through profit and loss | 23,959 |
| Amount due to related companies | 29,726 |
| Other payables and accruals | 246,856 |
| Total | 300,541 |

## 5. Insurance service result

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Life direct participating contracts $'000** | **Other contracts $'000** | **Total $'000** | Life direct participating contracts $'000 | Other contracts $'000 | Total $'000 |
| **Insurance revenue** | | | | | | |
| Amounts relating to changes in liabilities for remaining coverage | | | | | | |
| - CSM recognised for services provided | **99,884** | **35,667** | **135,551** | 52,720 | 56,902 | 109,622 |
| - Change in risk adjustment for non-financial risk for risk expired | **3,057** | **14,774** | **17,831** | 3,433 | 14,707 | 18,140 |
| - Expected incurred claims and other insurance service expenses | **95,626** | **306,046** | **401,672** | 74,019 | 354,432 | 428,451 |
| - Other | **272** | **-** | **272** | - | - | - |
| Recovery of insurance acquisition cash flows | **12,119** | **40,913** | **53,032** | 2,869 | 35,299 | 38,168 |
| **Total insurance revenue** | **210,958** | **397,400** | **608,358** | 133,041 | 461,340 | 594,381 |
| | | | | | | |
| **Insurance services expenses** | | | | | | |
| Incurred claims and other insurance services expenses | **(98,328)** | **(259,906)** | **(358,234)** | (53,299) | (258,099) | (311,398) |
| Loss and reversal of losses on onerous contracts | **(22,816)** | **(127,619)** | **(150,435)** | (193) | (74,770) | (74,963) |
| Amortisation of insurance acquisition cash flows | **(12,119)** | **(40,913)** | **(53,032)** | (2,869) | (35,299) | (38,168) |
| Adjustment to liabilities for incurred claims | **-** | **57,090** | **57,090** | - | 55,110 | 55,110 |
| **Total insurance services expenses** | **(133,263)** | **(371,348)** | **(504,611)** | (56,361) | (313,058) | (369,419) |
| | | | | | | |
| **Insurance service result before reinsurance contract held** | **77,695** | **26,052** | **103,747** | 76,680 | 148,282 | 224,962 |
| | | | | | | |
| **Income/(expenses) from reinsurance contracts held** | | | | | | |
| Allocation of reinsurance premiums | **-** | **(192,945)** | **(192,945)** | - | (313,998) | (313,998) |
| Amounts recoverable from reinsurers for incurred claims | **-** | **198,214** | **198,214** | - | 193,344 | 193,344 |
| **Net income/(expenses) for reinsurance contracts** | **-** | **5,269** | **5,269** | - | (120,654) | (120,654) |
| **Insurance service result** | **77,695** | **31,321** | **109,016** | 76,680 | 27,628 | 104,308 |

## 6. Net investment income/(loss)

| | 2023 | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Life direct participating $'000** | **Other $'000** | **Total $'000** | Life direct participating $'000 | Other $'000 | Total $'000 |
| **Investment income/(loss)** | | | | | | |
| Dividend income | **9,672** | **-** | **9,672** | 9,763 | 715 | 10,478 |
| Interest income | | | | | | |
| - Debt securities | **230,250** | **25,803** | **256,053** | 30,915 | 11,074 | 41,989 |
| - Bank deposits | **4,427** | **449** | **4,876** | 324 | 155 | 479 |
| Net realised gains/(losses) on financial instruments at FVPL | **24,314** | **(1,460)** | **22,854** | (128,261) | (10,801) | (139,062) |
| Fair value gains/(losses) on remeasurement of financial instruments at FVPL | **144,091** | **(10,293)** | **133,798** | (593,675) | (33,858) | (627,533) |
| **Total investment income/(loss)** | **412,754** | **14,499** | **427,253** | (680,934) | (32,715) | (713,649) |
| **Net finance (expenses)/income from insurance contracts** | | | | | | |
| Changes in fair value of underlying items of direct participating contracts | **(388,006)** | **-** | **(388,006)** | 693,259 | - | 693,259 |
| Interest accreted | **-** | **(14,803)** | **(14,803)** | - | (6,131) | (6,131) |
| Effect of changes in interest rates and other financial assumptions | **-** | **(1,303)** | **(1,303)** | - | 4,642 | 4,642 |
| Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition | **-** | **4,350** | **4,350** | - | (361) | (361) |
| **Total net finance (expenses)/income from insurance contracts** | **(388,006)** | **(11,756)** | **(399,762)** | 693,259 | (1,850) | 691,409 |
| **Net finance (expenses)/income from reinsurance contracts** | | | | | | |
| Interest accreted | **-** | **(12,651)** | **(12,651)** | - | (1,788) | (1,788) |
| Net finance income from reinsurance contracts | **-** | **4,555** | **4,555** | - | 16,630 | 16,630 |
| **Total net finance (expenses)/income from reinsurance contracts** | **-** | **(8,096)** | **(8,096)** | - | 14,842 | 14,842 |

## 7. Other operating expenses

| | **2023** | Restated 2022 |
|---|---|---|
| | **$'000** | $'000 |
| **Employee compensation:** | | |
| Wages and salaries | **99,600** | 65,386 |
| Employer's contribution to defined contribution plans | **9,272** | 6,820 |
| Other staff benefits | **17,785** | 19,875 |
| Share-based compensation | **3,795** | 3,088 |
| Government grant* | **(174)** | (1,333) |
| | **130,278** | 93,836 |
| **Others:** | | |
| Claims and benefits | **367,686** | 285,323 |
| Fees and commissions | **184,068** | 116,187 |
| Management and service fees | **67,934** | 55,872 |
| Information technology and other project costs | **23,429** | 31,580 |
| Amortisation of intangible assets | **23,211** | 20,507 |
| Loss on disposals of intangible assets | **19,392** | 5 |
| Impairment of intangible assets | **-** | 23,243 |
| Net foreign exchange loss | **9,096** | 1,158 |
| Legal and professional fees | **4,589** | 7,210 |
| Rental and office related expenses | **1,658** | 1,960 |
| Depreciation | **79** | 4,010 |
| Other expenses | **12,064** | 16,015 |
| | **713,206** | 563,070 |
| Amounts attributed to insurance acquisition cash flows incurred during the year | **(223,831)** | (112,874) |
| Amortisation of insurance acquisition cash flows | **53,032** | 38,168 |
| | **672,685** | 582,200 |
| **Represented by:** | | |
| Insurance service expenses | **504,611** | 369,419 |
| Other operating expenses | **168,074** | 212,781 |
| | **672,685** | 582,200 |

*The Jobs Growth Incentive is a scheme to support employers to expand local hiring (Singapore Citizens and Singapore Permanent Residents) from September 2020 to March 2023 (inclusive).

## 8. Income taxes

(a) Income tax expense

| | **2023** **$'000** | Restated 2022 $'000 |
|---|---|---|
| Tax expense attributable to profit is made up of: | | |
| - Current income tax | **2,560** | 2,037 |
| - Under/(over) provision in prior years | **253** | (463) |
| Tax charge | **2,813** | 1,574 |

The tax expense on the loss differs from the amount that would arise using the Singapore standard rate of income tax is as follows:

| | **2023** **$'000** | Restated 2022 $'000 |
|---|---|---|
| Loss before tax | **(11,974)** | (68,645) |
| Tax calculated at a tax rate of 17% (2022: 17%) | **(2,036)** | (11,670) |
| Effects of: | | |
| - expenses not deductible for tax purposes | **540** | 10,593 |
| - income not subject to tax | **(774)** | (283) |
| - income taxed at different rates | **(1,245)** | 272 |
| - Par fund policyholder return tax | **1,424** | 2,321 |
| - deferred tax assets not recognised | **29,331** | 804 |
| - under/(over) provision in prior years | **253** | (463) |
| - utilisation of previously unrecognised tax losses | **(24,680)** | - |
| Tax charge | **2,813** | 1,574 |

**8. Income taxes** (continued)

(b) Movement in current income tax liabilities

| | **2023** **$'000** | 2022 $'000 |
|---|---|---|
| Beginning of financial year | **1,657** | 1,954 |
| Income tax paid | **(1,910)** | (1,871) |
| Tax payable on profit for current year | **2,560** | 2,037 |
| Under/(over) provision in prior years | **253** | (463) |
| End of financial year | **2,560** | 1,657 |

(c) Deferred income tax

| | **2023** **$'000** | 2022 (restated) $'000 |
|---|---|---|
| Beginning of financial year | - | (93,034) |
| Adoption of FRS 109 | - | 1,114 |
| Adoption of FRS 117 (Note 2.1) | - | 91,920 |
| End of financial year | - | - |

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

## 8. Income taxes (continued)

### (c) Deferred income tax (continued)

(i) The movement in deferred income tax assets is as follows:

| | Claim liabilities $'000 | Accelerated tax depreciation $'000 | Tax losses $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|---|
| **2023** | | | | | |
| Beginning of financial year | - | - | - | - | - |
| Credited/(charged) to | | | | | |
| Profit or loss | | | | | |
| - Current year | - | - | - | - | - |
| End of financial year | - | - | - | - | - |
| | | | | | |
| **2022 (restated)** | | | | | |
| Beginning of financial year | 2,070 | 117 | 1,880 | 367 | 4,434 |
| Adoption of FRS 117 (Note 2.1) | (2,070) | (117) | (1,880) | (367) | (4,434) |
| End of financial year | - | - | - | - | - |

(ii) The movement in deferred income tax liabilities is as follows:

| | Non-guaranteed benefits $'000 | Fair value gains $'000 | Other $'000 | Total $'000 |
|---|---|---|---|---|
| **2023** | | | | |
| Beginning of financial year | - | - | - | - |
| Credited/(charged) to | | | | |
| Profit or loss | | | | |
| - Current year | - | - | - | - |
| End of financial year | - | - | - | - |
| | | | | |
| **2022 (restated)** | | | | |
| Beginning of financial year | (96,187) | (1,114) | (167) | (97,468) |
| Adoption of FRS 109 | - | 1,114 | - | 1,114 |
| Adoption of FRS 117 (Note 2.1) | 96,187 | - | 167 | 96,354 |
| End of financial year | - | - | - | - |

**8. Income taxes** (continued)

(c) Deferred income tax (continued)

The Company has not recognised deferred tax assets of $Nil (2022: $24.7 million) in respect of its tax losses carried forward of $Nil (2022: $145.2 million) which are available for offsetting against future taxable income subject to the agreement of the Comptroller of Income Tax.

Deferred tax benefits are recognised on these tax losses carried forward only to the extent to offset the deferred tax liabilities in the insurance funds, except for the participating fund, as there is no reasonable expectation of realising the tax benefit in the foreseeable future due to the unpredictability of future income.

The realisation of the future income tax benefits from tax losses carried forward is available for an unlimited future period (except for donations which is available for 5 years) subject to the conditions imposed by law including the retention of majority shareholders.

Following the change in the Company’s shareholder due to the acquisition by the HSBC Group, the Company filed a request to the tax authority in July 2022 for a waiver of the requirement to satisfy the shareholding test pursuant to Section 37(16) of the Singapore Income Tax Act to carry forward unutilised capital allowances, tax losses and donations arising from the financial years ended 31 December 2006 to 31 December 2021. The Company has not recognised deferred tax assets of $67.7 million in respect of its tax losses carried forward of $398.0million, to be set off against the Company’s future taxable income. This is currently pending the tax authority’s approval.

## 9. Intangible assets

| | Goodwill | Post-assurance | Bancassurance | Computer software | Total |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2023** | | | | | |
| **Costs** | | | | | |
| Beginning of financial year | **17,067** | **86,446** | **-** | **99,912** | **203,425** |
| Business transfer | **-** | **-** | **-** | **13,788** | **13,788** |
| Additions | **-** | **-** | **-** | **34,715** | **34,715** |
| Disposals | **-** | **-** | **-** | **(64,131)** | **(64,131)** |
| End of financial year | **17,067** | **86,446** | **-** | **84,284** | **187,797** |
| **Accumulated amortisation** | | | | | |
| Beginning of financial year | **-** | **49,929** | **-** | **40,591** | **90,520** |
| Business transfer | **-** | **-** | **-** | **3,618** | **3,618** |
| Amortisation charge | **-** | **3,835** | **-** | **19,376** | **23,211** |
| Disposals | **-** | **-** | **-** | **(44,739)** | **(44,739)** |
| End of financial year | **-** | **53,764** | **-** | **18,846** | **72,610** |
| **Accumulated impairment** | | | | | |
| Beginning of financial year | **17,067** | **9,669** | **-** | **-** | **26,736** |
| Impairment charge | **-** | **-** | **-** | **-** | **-** |
| End of financial year | **17,067** | **9,669** | **-** | **-** | **26,736** |
| **Net Book Value** | | | | | |
| End of financial year | **-** | **23,013** | **-** | **65,438** | **88,451** |
| **2022** | | | | | |
| **Costs** | | | | | |
| Beginning of financial year | 17,067 | 86,446 | 4,886 | 87,641 | 196,040 |
| Additions | - | - | - | 41,498 | 41,498 |
| Disposals | - | - | (4,886) | (29,227) | (34,113) |
| End of financial year | 17,067 | 86,446 | - | 99,912 | 203,425 |
| **Accumulated amortisation** | | | | | |
| Beginning of financial year | - | 46,092 | 4,480 | 53,549 | 104,121 |
| Amortisation charge | - | 3,837 | 406 | 16,264 | 20,507 |
| Disposals | - | - | (4,886) | (29,222) | (34,108) |
| End of financial year | - | 49,929 | - | 40,591 | 90,520 |
| **Accumulated impairment** | | | | | |
| Beginning of financial year | - | 3,493 | - | - | 3,493 |
| Impairment charge | 17,067 | 6,176 | - | - | 23,243 |
| End of financial year | 17,067 | 9,669 | - | - | 26,736 |
| **Net Book Value** | | | | | |
| End of financial year | - | 26,848 | - | 59,321 | 86,169 |

Bancassurance is an arrangement with a related party.

## 10. Property and equipment

| | Leasehold improvements $'000 | Furniture, fixtures and office equipment $'000 | Computers $'000 | Leasehold buildings $'000 | Motor vehicle $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **2023** | | | | | | |
| **Costs** | | | | | | |
| Beginning of financial year | - | - | - | - | - | - |
| Business transfer | - | - | - | - | **348** | **348** |
| Additions | - | - | - | - | - | - |
| Modification of lease | - | - | - | - | - | - |
| Transfers from work in progress | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - |
| End of financial year | - | - | - | - | **348** | **348** |
| **Accumulated depreciation** | | | | | | |
| Beginning of financial year | - | - | - | - | - | - |
| Business transfer | - | - | - | - | **101** | **101** |
| Depreciation charge | - | - | - | - | **79** | **79** |
| Disposals | - | - | - | - | - | - |
| End of financial year | - | - | - | - | **180** | **180** |
| **Net Book Value** | | | | | | |
| End of financial year | - | - | - | - | **168** | **168** |
| **2022** | | | | | | |
| **Costs** | | | | | | |
| Beginning of financial year | 20,627 | 6,253 | 1,998 | 25,526 | - | 54,404 |
| Additions | - | - | - | - | - | - |
| Transfers from work in progress | - | - | - | - | - | - |
| Write off | (20,627) | (6,253) | (1,998) | (25,526) | - | (54,404) |
| End of financial year | - | - | - | - | - | - |
| **Accumulated depreciation** | | | | | | |
| Beginning of financial year | 19,845 | 6,057 | 1,998 | 22,335 | - | 50,235 |
| Depreciation charge | 782 | 196 | - | 3,032 | - | 4,010 |
| Write off | (20,627) | (6,253) | (1,998) | (25,367) | - | (54,245) |
| End of financial year | - | - | - | - | - | - |
| **Net Book Value** | | | | | | |
| End of financial year | - | - | - | - | - | - |

## 11. Leases

*The Company as a lessee*

Nature of the Company's leasing activities – Company as a lessee

*Property*

The Company leases office space for the purpose of back-office operations and sale to customers, and for residences of expatriate members of the management.

*Equipment and vehicles*

The Company leases office equipment (e.g., printers) for back-office operations and leases car for the senior management.

There are no externally imposed covenants on these lease arrangements. All leases on Leasehold buildings has been terminated in 2022.

(a) Carrying amounts

ROU assets classified within Property and equipment

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| Leasehold buildings | **-** | - |
| Motor vehicles | **168** | - |
| | **168** | - |

(b) Depreciation charge during the year

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| Leasehold buildings | **-** | 3,032 |
| Motor vehicles | **79** | - |
| **Total** | **79** | 3,032 |

(c) Interest expense

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| Interest expense on lease liabilities | **10** | 30 |

## 11. **Leases** (continued)

*The Company as a lessee* (continued)

(d) Total cash outflow for all leases that are capitalised as ROU assets in 2023 was $Nil (2022: $2,986,883).

(e) Addition of ROU assets from business transfer during the financial year 2023 was $246,849 (2022: $Nil).

(f) The Company entered into a lease contract for a vehicle for business purposes. The corresponding measurement of the lease liability is recorded in Note 19.

## 12. **Loans and other receivables**

| | **2023** **$'000** | Restated 2022 $'000 |
|---|---|---|
| Loans to agents and brokers | **10,550** | 374 |
| Cash collaterals pledged | **6,658** | 9,005 |
| Investment receivables | **122,274** | 14,760 |
| Other deposits and sundry receivables | **51,886** | 11,158 |
| Prepayments | **7,935** | 7,959 |
| | **199,303** | 43,256 |

Loans to agents and to brokers are unsecured, interest free and repayable in full by 31 December 2023.

Cash collaterals pledged have a weighted average rate of 3.6% (2022: 2.7%) per annum.

The carrying amounts of other receivables approximate their fair values and are predominantly in Singapore dollars and US dollars.

## 13. Derivative financial instruments

| | Contractual notional amount | Fair values | |
|---|---|---|---|
| | | Assets | Liabilities |
| | $'000 | $'000 | $'000 |
| **2023** | | | |
| Forward contracts | **3,063,873** | **86,752** | **(34,834)** |
| Swaps | **493,540** | **30,418** | **(15,788)** |
| Total | | **117,170** | **(50,622)** |
| *Related parties* | | | |
| - Forward contracts | **2,978,873** | **82,453** | **(34,840)** |
| - Swaps | **241,405** | **10,222** | **(8,567)** |
| Total | | **92,675** | **(43,407)** |
| **2022** | | | |
| Forward contracts | 912,788 | 41,584 | (2,502) |
| Swaps | 471,825 | 18,140 | (21,457) |
| Total | | 59,724 | (23,959) |
| *Related parties* | | | |
| - Forward contracts | 707,788 | 24,678 | (593) |
| - Swaps | 129,952 | 5,342 | (11,221) |
| Total | | 30,020 | (11,814) |

At 31 December 2023, the Company has pledged debt securities with carrying value of $Nil (2022: $0.1 million) for liabilities in respect of derivative transactions (Note 14) and received debt securities with market value of $17.8 million (2022: $12.3 million) for assets in respect of derivative transactions. All of these pledged and received debt securities as at 31 December 2023 are with related parties.

## 14. (a) Financial assets, at fair value through profit or loss

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| **Current** | | |
| Debt securities, quoted | **568,331** | 30,195 |
| **Non-current** | | |
| Debt securities, quoted | **5,470,422** | 1,207,345 |
| Equity securities, quoted | **10,190** | 21 |
| Private equity funds | **382,527** | 120,615 |
| Investment funds | **4,274,012** | 2,779,848 |
| | **10,137,151** | 4,107,829 |
| **Total** | **10,705,482** | 4,138,024 |

## (b) Financial assets, at amortised cost

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| **Non-current** | | |
| Debt securities, quoted | **15,974** | - |

The investments in quoted debt securities have interest rates ranging from 0.000% to 10.050% (2022: 0.000% to 8.875%) per annum.

Debt securities with carrying value of $Nil (2022: $0.1 million) have been pledged to counterparties in respect of derivative transactions (Note 13).

## 15. Amount due from/(to) related companies

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Amount due from related companies | **1,105** | - |
| Amount due to related companies | **(15,296)** | (29,726) |
| | **(14,191)** | (29,726) |

The amounts outstanding are current, unsecured, interest-free and will be settled in cash. At the balance sheet date, the carrying amounts due from/(to) related companies approximate their fair values.

## 16. Cash and cash equivalents

| | 2023<br>$'000 | 2022<br>$'000 |
|---|---|---|
| Short-term bank deposits | **28,753** | 53,946 |
| Cash at bank and on hand | **289,902** | 129,308 |
| | **318,655** | 183,254 |

Short-term bank deposits bear interest rates of 4.34% (2022: 1.92%) per annum and have an average maturity of 3 days (2022: 3 days) from the end of the financial year.

Included in cash at bank and on hand are bank deposits amounting to $13.5 million (2022: $11.6 million) which are collateral held for derivative financial instrument arrangements of the Company.

Life insurance fund includes cash at bank and short-term bank deposits of the shareholders' fund amounting to $0.9 million (2022: $0.1 million).

## 17. Insurance and reinsurance contract liabilities

| | **2023** | | | 2022 | | |
|---|---|---|---|---|---|---|
| | **Life direct participating $'000** | **Other $'000** | **Total $'000** | Life direct participating $'000 | Other $'000 | Total $'000 |
| **31 December 2023** | | | | | | |
| **Insurance contracts** | | | | | | |
| Insurance contract liabilities | (10,027,748) | (404,698) | (10,432,446) | (3,596,771) | (307,414) | (3,904,185) |
| Insurance contract assets | 38,132 | 18,160 | 56,292 | 8,568 | 7,033 | 15,601 |
| | (9,989,616) | (386,538) | (10,376,154) | (3,588,203) | (300,381) | (3,888,584) |
| **Reinsurance contracts held** | | | | | | |
| Reinsurance contract assets | - | 176,194 | 176,194 | - | 209,520 | 209,520 |
| Reinsurance contract liabilities | - | (522,337) | (522,337) | - | (105,331) | (105,331) |
| | - | (346,143) | (346,143) | - | 104,189 | 104,189 |

The carrying amounts of insurance contract assets and insurance contract liabilities expected to be (recovered) settled more than 12 months after the reporting date as of 31 December 2023 are $66.6 million and $10,380.0 million respectively (2022: $21.5 million and $3,853.0 million respectively), while the carrying amounts of reinsurance contract assets and reinsurance contract liabilities expected to be (recovered) settled more than 12 months after the reporting date as of 31 December 2023 are $120.9 million and $594.1 million respectively (2022: $86.1 million and $120.2 million respectively).

## 17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)
(i) Insurance contracts - Life direct participating

| | **2023** | | | | **2022** | | | |
|---|---|---|---|---|---|---|---|---|
| | **Liabilities for remaining coverage** | | | | Liabilities for remaining coverage | | | |
| | **Excluding loss component $'000** | **Loss component $'000** | **Liabilities for incurred claims $'000** | **Total $'000** | Excluding loss component $'000 | Loss component $'000 | Liabilities for incurred claims $'000 | Total $'000 |
| Opening assets | **(8,674)** | **-** | **106** | **(8,568)** | (3,022) | - | 88 | (2,934) |
| Opening liabilities | **3,531,373** | **319** | **65,079** | **3,596,771** | 4,077,762 | 137 | 62,213 | 4,140,112 |
| **Net opening balance** | **3,522,699** | **319** | **65,185** | **3,588,203** | 4,074,740 | 137 | 62,301 | 4,137,178 |
| **Business transfer** | **6,027,126** | **56,696** | **24,360** | **6,108,182** | - | - | - | - |
| **Changes in the statement of comprehensive income** | | | | | | | | |
| **Insurance revenue** | | | | | | | | |
| Contract under fair value approach | **(123,427)** | **-** | **-** | **(123,427)** | (127,144) | - | - | (127,144) |
| Other contracts | **(87,531)** | **-** | **-** | **(87,531)** | (5,897) | - | - | (5,897) |
| **Total insurance revenue** | **(210,958)** | **-** | **-** | **(210,958)** | (133,041) | - | - | (133,041) |
| **Insurance service expenses** | | | | | | | | |
| Incurred claims and other insurance service expenses | **-** | **(1,809)** | **100,137** | **98,328** | - | (57) | 53,356 | 53,299 |
| Amortisation of insurance acquisition cash flows | **12,119** | **-** | **-** | **12,119** | 2,869 | - | - | 2,869 |
| Losses and reversal of losses on onerous contracts | **-** | **22,816** | **-** | **22,816** | - | 193 | - | 193 |
| **Total insurance service expenses** | **12,119** | **21,007** | **100,137** | **133,263** | 2,869 | 136 | 53,356 | 56,361 |
| Investment components | **(876,812)** | **-** | **876,812** | **-** | (277,535) | - | 277,535 | - |
| **Insurance service result** | **(1,075,651)** | **21,007** | **976,949** | **(77,695)** | (407,707) | 136 | 330,891 | (76,680) |
| Net finance expense/(income) from insurance contracts | **388,006** | **-** | **-** | **388,006** | (693,259) | - | - | (693,259) |
| Effect of movements in exchange rates and other movements | **33,039** | **(13,572)** | **349** | **19,816** | - | - | - | - |
| **Total changes in the statement of comprehensive income** | **(654,606)** | **7,435** | **977,298** | **330,127** | (1,100,966) | 136 | 330,891 | (769,939) |

**HSBC LIFE (SINGAPORE) PTE. LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**
*For the financial year ended 31 December 2023*

## 17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)
(i) Insurance contracts - Life direct participating (continued)

| | **2023** | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Liabilities for remaining coverage** | | | | Liabilities for remaining coverage | | | |
| | **Excluding loss component $'000** | **Loss component $'000** | **Liabilities for incurred claims $'000** | **Total $'000** | Excluding loss component $'000 | Loss component $'000 | Liabilities for incurred claims $'000 | Total $'000 |
| **Cash flows** | | | | | | | | |
| Premiums received | **1,112,972** | **-** | **-** | **1,112,972** | 645,440 | - | - | 645,440 |
| Claims and other insurance service expenses paid, including investment components | **-** | **-** | **(973,497)** | **(973,497)** | - | - | (328,006) | (328,006) |
| Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes | **(172,413)** | **-** | **-** | **(172,413)** | (87,839) | - | - | (87,839) |
| **Total cash flows** | **940,559** | **-** | **(973,497)** | **(32,938)** | 557,601 | - | (328,006) | 229,595 |
| Others | **(2,556)** | **(277)** | **(1,125)** | **(3,958)** | (8,676) | 46 | (1) | (8,631) |
| **Net closing balance** | **9,833,222** | **64,173** | **92,221** | **9,989,616** | 3,522,699 | 319 | 65,185 | 3,588,203 |
| Closing assets | **(40,289)** | **920** | **1,237** | **(38,132)** | (8,674) | - | 106 | (8,568) |
| Closing liabilities | **9,873,511** | **63,253** | **90,984** | **10,027,748** | 3,531,373 | 319 | 65,079 | 3,596,771 |
| **Net closing balance** | **9,833,222** | **64,173** | **92,221** | **9,989,616** | 3,522,699 | 319 | 65,185 | 3,588,203 |

## HSBC LIFE (SINGAPORE) PTE. LTD.

## NOTES TO THE FINANCIAL STATEMENTS
*For the financial year ended 31 December 2023*

## 17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)
(ii) Insurance contracts - Other

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Liabilities for remaining coverage** | | | | Liabilities for remaining coverage | | | |
| | **Excluding loss component $'000** | **Loss component $'000** | **Liabilities for incurred claims $'000** | **Total $'000** | Excluding loss component $'000 | Loss component $'000 | Liabilities for incurred claims $'000 | Total $'000 |
| Opening assets | **(8,040)** | **-** | **1,007** | **(7,033)** | (28,269) | - | 6,620 | (21,649) |
| Opening liabilities | **75,462** | **12,275** | **219,677** | **307,414** | 137,487 | 526 | 258,627 | 396,640 |
| **Net opening balance** | **67,422** | **12,275** | **220,684** | **300,381** | 109,218 | 526 | 265,247 | 374,991 |
| **Business transfer** | **120,325** | **2,644** | **5,100** | **128,069** | - | - | - | - |
| **Changes in the statement of comprehensive income** | | | | | | | | |
| **Insurance revenue** | | | | | | | | |
| Contract under fair value approach | **(152,949)** | **-** | **-** | **(152,949)** | (275,668) | - | - | (275,668) |
| Other contracts | **(244,451)** | **-** | **-** | **(244,451)** | (185,672) | - | - | (185,672) |
| **Total insurance revenue** | **(397,400)** | **-** | **-** | **(397,400)** | (461,340) | - | - | (461,340) |
| **Insurance service expenses** | | | | | | | | |
| Incurred claims and other insurance service expenses | **-** | **(34,574)** | **294,480** | **259,906** | - | (22,130) | 280,229 | 258,099 |
| Amortisation of insurance acquisition cash flows | **40,913** | **-** | **-** | **40,913** | 35,299 | - | - | 35,299 |
| Losses and reversal of losses on onerous contracts | **-** | **127,619** | **-** | **127,619** | - | 74,770 | - | 74,770 |
| Adjustments to liabilities for incurred claims | **-** | **-** | **(57,090)** | **(57,090)** | - | - | (55,110) | (55,110) |
| **Total insurance service expenses** | **40,913** | **93,045** | **237,390** | **371,348** | 35,299 | 52,640 | 225,119 | 313,058 |
| Investment components | **(30,400)** | **-** | **30,400** | **-** | (2,397) | - | 2,397 | - |
| **Insurance service result** | **(386,887)** | **93,045** | **267,790** | **(26,052)** | (428,438) | 52,640 | 227,516 | (148,282) |
| Net finance expenses from insurance contracts | **10,124** | **1,632** | **-** | **11,756** | 1,500 | 350 | - | 1,850 |
| **Total changes in the statement of comprehensive income** | **(376,763)** | **94,677** | **267,790** | **(14,296)** | (426,938) | 52,990 | 227,516 | (146,432) |

## 17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)
(ii) Insurance contracts - Other (continued)

| | **2023** | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Liabilities for remaining coverage** | | **Liabilities for incurred claims** | | Liabilities for remaining coverage | | Liabilities for incurred claims | |
| | **Excluding loss component $'000** | **Loss component $'000** | **$'000** | **Total $'000** | Excluding loss component $'000 | Loss component $'000 | $'000 | Total $'000 |
| **Cash flows** | | | | | | | | |
| Premiums received | **290,018** | **-** | **-** | **290,018** | 333,126 | - | - | 333,126 |
| Claims and other insurance service expenses paid, including investment components | **-** | **-** | **(313,692)** | **(313,692)** | - | - | (272,076) | (272,076) |
| Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes | **(66,465)** | **-** | **-** | **(66,465)** | (67,125) | - | - | (67,125) |
| **Total cash flows** | **223,553** | **-** | **(313,692)** | **(90,139)** | 266,001 | - | (272,076) | (6,075) |
| Others | **146,707** | **(84,184)** | **-** | **62,523** | 119,141 | (41,241) | (3) | 77,897 |
| **Net closing balance** | **181,244** | **25,412** | **179,882** | **386,538** | 67,422 | 12,275 | 220,684 | 300,381 |
| | | | | | | | | |
| Closing assets | **(7,372)** | **(12,836)** | **2,048** | **(18,160)** | (8,040) | - | 1,007 | (7,033) |
| Closing liabilities | **188,616** | **38,248** | **177,834** | **404,698** | 75,462 | 12,275 | 219,677 | 307,414 |
| **Net closing balance** | **181,244** | **25,412** | **179,882** | **386,538** | 67,422 | 12,275 | 220,684 | 300,381 |

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**NOTES TO THE FINANCIAL STATEMENTS**
*For the financial year ended 31 December 2023*

## 17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)
(iii) Reinsurance contracts held - Other

| | 2023 | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | Remaining coverage component | | | | Remaining coverage component | | | |
| | Excluding loss component $'000 | Loss component $'000 | Assets for incurred claims $'000 | Total $'000 | Excluding loss component $'000 | Loss component $'000 | Assets for incurred claims $'000 | Total $'000 |
| Opening assets | 55,623 | 1,756 | 152,141 | 209,520 | 29,976 | - | 40,604 | 70,580 |
| Opening liabilities | (113,410) | - | 8,079 | (105,331) | (133,693) | - | 7,269 | (126,424) |
| **Net opening balance** | (57,787) | 1,756 | 160,220 | 104,189 | (103,717) | - | 47,873 | (55,844) |
| **Business transfer** | (254,813) | 104 | 15,866 | (238,843) | - | - | - | - |
| **Changes in the statement of comprehensive income** | | | | | | | | |
| Allocation of reinsurance premiums paid | (192,945) | - | - | (192,945) | (313,998) | - | - | (313,998) |
| Recoveries of incurred claims and other insurance service expenses | - | - | 148,195 | 148,195 | - | - | 135,547 | 135,547 |
| Recoveries or reversals of recoveries of losses on onerous underlying contracts | 90,091 | 11,876 | - | 101,967 | (57,961) | 1,756 | - | (56,205) |
| Adjustments to assets for incurred claims | - | - | (51,948) | (51,948) | - | - | 114,002 | 114,002 |
| **Net (expense)/income from reinsurance contracts held** | (102,854) | 11,876 | 96,247 | 5,269 | (371,959) | 1,756 | 249,549 | (120,654) |
| **Net (expense)/income from reinsurance contracts** | | | | | | | | |
| Net finance (expense)/income from reinsurance contracts | (8,096) | - | - | (8,096) | 14,842 | - | - | 14,842 |
| Effect of movements in exchange rates and other movements | (2,265) | - | (28) | (2,293) | - | - | - | - |
| **Total changes in the statement of comprehensive income** | (113,215) | 11,876 | 96,219 | (5,120) | (357,117) | 1,756 | 249,549 | (105,812) |

## 17. Insurance and reinsurance contract liabilities (continued)

(a) Movements in insurance and reinsurance (continued)
(iii) Reinsurance contracts held – Other (continued)

| | **2023** | | | | 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Remaining coverage component** | | | | Remaining coverage component | | | |
| | **Excluding loss component $'000** | **Loss component $'000** | **Assets for incurred claims $'000** | **Total $'000** | Excluding loss component $'000 | Loss component $'000 | Assets for incurred claims $'000 | Total $'000 |
| **Cash flows** | | | | | | | | |
| Premiums paid net of ceding commissions and other directly attributable expenses paid | **(14,822)** | **-** | **-** | **(14,822)** | 402,654 | - | - | 402,654 |
| Claims and other recoverable received | **-** | **-** | **(131,117)** | **(131,117)** | - | - | (137,202) | (137,202) |
| **Total cash flows** | **(14,822)** | **-** | **(131,117)** | **(145,939)** | 402,654 | - | (137,202) | 265,452 |
| Others | **(60,430)** | **-** | **-** | **(60,430)** | 393 | - | - | 393 |
| **Net closing balance** | **(501,067)** | **13,736** | **141,188** | **(346,143)** | (57,787) | 1,756 | 160,220 | 104,189 |
| | | | | | | | | |
| Closing assets | **54,467** | **11,876** | **109,851** | **176,194** | 55,623 | 1,756 | 152,141 | 209,520 |
| Closing liabilities | **(555,534)** | **1,860** | **31,337** | **(522,337)** | (113,410) | - | 8,079 | (105,331) |
| **Net closing balance** | **(501,067)** | **13,736** | **141,188** | **(346,143)** | (57,787) | 1,756 | 160,220 | 104,189 |

**HSBC LIFE (SINGAPORE) PTE. LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**
*For the financial year ended 31 December 2023*

## 17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component
(i) Insurance contracts - Life direct participating

| | **2023** | | **CSM** | | |
|---|---|---|---|---|---|
| | **Estimates of present value of future cash flows** *$'000* | **Risk adjustment for non-financial risk** *$'000* | **Contract under fair value approach** *$'000* | **Other Contracts** *$'000* | **Total** *$'000* |
| Opening assets | **(17,901)** | **960** | **4,660** | **3,713** | **(8,568)** |
| Opening liabilities | **2,876,974** | **71,507** | **583,414** | **64,876** | **3,596,771** |
| **Net opening balance** | **2,859,073** | **72,467** | **588,074** | **68,589** | **3,588,203** |
| **Business transfer** | **5,492,784** | **82,359** | **90,118** | **442,921** | **6,108,182** |
| **Changes in the statement of comprehensive income** | | | | | |
| **Changes that relate to current services** | | | | | |
| CSM recognised for services provided | **-** | **-** | **(66,967)** | **(32,917)** | **(99,884)** |
| Change in risk adjustment for non-financial risk for risk expired | **-** | **(3,057)** | **-** | **-** | **(3,057)** |
| Experience adjustments | **2,680** | **-** | **-** | **-** | **2,680** |
| **Changes that relate to future services** | | | | | |
| Contracts initially recognised in the year | **(143,957)** | **12,278** | **-** | **131,679** | **-** |
| Changes in estimates that adjust the CSM | **289,958** | **49,353** | **(10,843)** | **(328,468)** | **-** |
| Changes in estimates that result in losses and reversal of losses on onerous contracts | **16,886** | **5,680** | **-** | **-** | **22,566** |
| **Insurance service result** | **165,567** | **64,254** | **(77,810)** | **(229,706)** | **(77,695)** |
| Net finance expense/(income) from insurance contracts | **388,006** | **-** | **-** | **-** | **388,006** |
| Effect of movements in exchange rates and other movements | **15,434** | **264** | **6,979** | **(2,861)** | **19,816** |
| **Total changes in the statement of comprehensive income** | **569,007** | **64,518** | **(70,831)** | **(232,567)** | **330,127** |

| | 2022 | | CSM | | |
|---|---|---|---|---|---|
| | Estimates of present value of future cash flows *$'000* | Risk adjustment for non-financial risk *$'000* | Contract under fair value approach *$'000* | Other Contracts *$'000* | Total *$'000* |
| Opening assets | (8,230) | 397 | 4,899 | - | (2,934) |
| Opening liabilities | 3,185,824 | 81,112 | 873,176 | - | 4,140,112 |
| **Net opening balance** | 3,177,594 | 81,509 | 878,075 | - | 4,137,178 |
| **Business transfer** | - | - | - | - | - |
| **Changes in the statement of comprehensive income** | | | | | |
| **Changes that relate to current services** | | | | | |
| CSM recognised for services provided | - | - | (51,924) | (796) | (52,720) |
| Change in risk adjustment for non-financial risk for risk expired | - | (3,433) | - | - | (3,433) |
| Experience adjustments | (20,721) | - | - | - | (20,721) |
| **Changes that relate to future services** | | | | | |
| Contracts initially recognised in the year | (105,636) | 6,155 | - | 99,481 | - |
| Changes in estimates that adjust the CSM | 279,946 | (11,764) | (238,079) | (30,103) | - |
| Changes in estimates that result in losses and reversal of losses on onerous contracts | 194 | - | - | - | 194 |
| **Insurance service result** | 153,783 | (9,042) | (290,003) | 68,582 | (76,680) |
| Net finance expense/(income) from insurance contracts | (693,259) | - | - | - | (693,259) |
| Effect of movements in exchange rates and other movements | - | - | - | - | - |
| **Total changes in the statement of comprehensive income** | (539,476) | (9,042) | (290,003) | 68,582 | (769,939) |

## 17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(i) Insurance contracts - Life direct participating (continued)

| | **2023** | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | **CSM** | | | | | CSM | | |
| | **Estimates of present value of future cash flows** *$'000* | **Risk adjustment for non-financial risk** *$'000* | **Contract under fair value approach** *$'000* | **Other Contracts** *$'000* | **Total** *$'000* | Estimates of present value of future cash flows *$'000* | Risk adjustment for non-financial risk *$'000* | Contract under fair value approach *$'000* | Other Contracts *$'000* | Total *$'000* |
| **Cash flows** | | | | | | | | | | |
| Premiums received | **1,112,972** | **-** | **-** | **-** | **1,112,972** | 645,440 | - | - | - | 645,440 |
| Claims and other insurance service expenses paid, including investment components | **(973,497)** | **-** | **-** | **-** | **(973,497)** | (328,006) | - | - | - | (328,006) |
| Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes | **(172,413)** | **-** | **-** | **-** | **(172,413)** | (87,839) | - | - | - | (87,839) |
| **Total cash flows** | **(32,938)** | **-** | **-** | **-** | **(32,938)** | 229,595 | - | - | - | 229,595 |
| Others | **(3,970)** | **213** | **-** | **(201)** | **(3,958)** | (8,640) | - | 2 | 7 | (8,631) |
| **Net closing balance** | **8,883,956** | **219,557** | **607,361** | **278,742** | **9,989,616** | 2,859,073 | 72,467 | 588,074 | 68,589 | 3,588,203 |
| | | | | | | | | | | |
| Closing assets | **(65,757)** | **2,123** | **7,208** | **18,294** | **(38,132)** | (17,901) | 960 | 4,660 | 3,713 | (8,568) |
| Closing liabilities | **8,949,713** | **217,434** | **600,153** | **260,448** | **10,027,748** | 2,876,974 | 71,507 | 583,414 | 64,876 | 3,596,771 |
| **Net closing balance** | **8,883,956** | **219,557** | **607,361** | **278,742** | **9,989,616** | 2,859,073 | 72,467 | 588,074 | 68,589 | 3,588,203 |

## 17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(ii) Insurance contracts - Other

| | **2023** | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | **CSM** | | | | | CSM | | |
| | **Estimates of present value of future cash flows** *$'000* | **Risk adjustment for non-financial risk** *$'000* | **Contract under fair value approach** *$'000* | **Other Contracts** *$'000* | **Total** *$'000* | Estimates of present value of future cash flows *$'000* | Risk adjustment for non-financial risk *$'000* | Contract under fair value approach *$'000* | Other Contracts *$'000* | Total *$'000* |
| Opening assets | (12,818) | 373 | 3,279 | 2,133 | (7,033) | (116,648) | 13,480 | 81,519 | - | (21,649) |
| Opening liabilities | 166,338 | 35,822 | 76,528 | 28,726 | 307,414 | 323,715 | 23,625 | 49,300 | - | 396,640 |
| **Net opening balance** | 153,520 | 36,195 | 79,807 | 30,859 | 300,381 | 207,067 | 37,105 | 130,819 | - | 374,991 |
| **Business transfer** | 92,316 | 1,866 | 32,206 | 1,681 | 128,069 | - | - | - | - | - |
| **Changes in the statement of comprehensive income** | | | | | | | | | | |
| **Changes that relate to current services** | | | | | | | | | | |
| CSM recognised for services provided | - | - | (14,038) | (21,629) | (35,667) | - | - | (35,220) | (21,682) | (56,902) |
| Change in risk adjustment for non-financial risk for risk expired | - | (14,774) | - | - | (14,774) | - | (14,707) | - | - | (14,707) |
| Experience adjustments | (46,140) | - | - | - | (46,140) | (96,333) | - | - | - | (96,333) |
| **Changes that relate to future services** | | | | | | | | | | |
| Contracts initially recognised in the year | (20,765) | 10,193 | - | 40,373 | 29,801 | (30,215) | 10,180 | - | 48,800 | 28,765 |
| Changes in estimates that adjust the CSM | 5,885 | 2,200 | 6,252 | (14,337) | - | 12,635 | 1,104 | (17,228) | 3,489 | - |
| Changes in estimates that result in losses and reversal of losses on onerous contracts | 92,931 | 4,887 | - | - | 97,818 | 47,414 | (1,409) | - | - | 46,005 |
| **Changes that relate to past services** | | | | | | | | | | |
| Adjustments to liabilities for incurred claims | (52,269) | (4,821) | - | - | (57,090) | (59,032) | 3,922 | - | - | (55,110) |
| **Insurance service result** | (20,358) | (2,315) | (7,786) | 4,407 | (26,052) | (125,531) | (910) | (52,448) | 30,607 | (148,282) |
| Net finance expenses from insurance contracts | 7,736 | - | 2,513 | 1,507 | 11,756 | 165 | - | 1,438 | 247 | 1,850 |
| **Total changes in the statement of comprehensive income** | (12,622) | (2,315) | (5,273) | 5,914 | (14,296) | (125,366) | (910) | (51,010) | 30,854 | (146,432) |

**HSBC LIFE (SINGAPORE) PTE. LTD.**

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## 17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(ii) Insurance contracts – Other (continued)

| | **2023** | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | **CSM** | | | | | CSM | | |
| | **Estimates of present value of future cash flows** *$'000* | **Risk adjustment for non-financial risk** *$'000* | **Contract under fair value approach** *$'000* | **Other Contracts** *$'000* | **Total** *$'000* | Estimates of present value of future cash flows *$'000* | Risk adjustment for non-financial risk *$'000* | Contract under fair value approach *$'000* | Other Contracts *$'000* | Total *$'000* |
| **Cash flows** | | | | | | | | | | |
| Premiums received | **290,018** | **-** | **-** | **-** | **290,018** | 333,126 | - | - | - | 333,126 |
| Claims and other insurance service expenses paid, including investment components | **(313,692)** | **-** | **-** | **-** | **(313,692)** | (272,076) | - | - | - | (272,076) |
| Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes | **(66,465)** | **-** | **-** | **-** | **(66,465)** | (67,125) | - | - | - | (67,125) |
| **Total cash flows** | **(90,139)** | **-** | **-** | **-** | **(90,139)** | (6,075) | - | - | - | (6,075) |
| Others | **62,599** | **(1)** | **(320)** | **245** | **62,523** | 77,894 | - | (2) | 5 | 77,897 |
| **Net closing balance** | **205,674** | **35,745** | **106,420** | **38,699** | **386,538** | 153,520 | 36,195 | 79,807 | 30,859 | 300,381 |
| | | | | | | | | | | |
| Closing assets | **(28,080)** | **(401)** | **7,098** | **3,223** | **(18,160)** | (12,818) | 373 | 3,279 | 2,133 | (7,033) |
| Closing liabilities | **233,754** | **36,146** | **99,322** | **35,476** | **404,698** | 166,338 | 35,822 | 76,528 | 28,726 | 307,414 |
| **Net closing balance** | **205,674** | **35,745** | **106,420** | **38,699** | **386,538** | 153,520 | 36,195 | 79,807 | 30,859 | 300,381 |

## 17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(iii) Reinsurance contracts - Other

| | **2023** | | **CSM** | | | 2022 | | CSM | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Estimates of present value of future cash flows** *$'000* | **Risk adjustment for non-financial risk** *$'000* | **Contract under fair value approach** *$'000* | **Other Contracts** *$'000* | **Total** *$'000* | Estimates of present value of future cash flows *$'000* | Risk adjustment for non-financial risk *$'000* | Contract under fair value approach *$'000* | Other Contracts *$'000* | Total *$'000* |
| Opening assets | **174,639** | **16,916** | **9,332** | **8,633** | **209,520** | 59,991 | 4,285 | 6,304 | - | 70,580 |
| Opening liabilities | **(124,950)** | **(12,626)** | **29,981** | **2,264** | **(105,331)** | (137,080) | (12,548) | 23,204 | - | (126,424) |
| **Net opening balance** | **49,689** | **4,290** | **39,313** | **10,897** | **104,189** | (77,089) | (8,263) | 29,508 | - | (55,844) |
| **Business transfer** | **(347,374)** | **(47,374)** | **8,181** | **147,724** | **(238,843)** | - | - | - | - | - |
| **Changes in the statement of comprehensive income** | | | | | | | | | | |
| **Changes that relate to current services** | | | | | | | | | | |
| CSM recognised for services received | **-** | **-** | **(23,864)** | **(10,005)** | **(33,869)** | - | - | (36,481) | (142,110) | (178,591) |
| Change in risk adjustment for non-financial risk for risk expired | **-** | **(14,134)** | **-** | **-** | **(14,134)** | - | (10,625) | - | - | (10,625) |
| Experience adjustments | **(14,867)** | **-** | **-** | **-** | **(14,867)** | 3,164 | - | - | - | 3,164 |
| **Changes that relate to future services** | | | | | | | | | | |
| Contracts initially recognised in the year | **1,191** | **1,976** | **-** | **15,644** | **18,811** | (27,150) | 2,812 | - | 33,556 | 9,218 |
| Changes in estimates that adjust the CSM | **54,906** | **127,849** | **(32,673)** | **(150,082)** | **-** | (172,171) | 6,702 | 46,171 | 119,298 | - |
| Changes in estimates that result in losses and reversal of losses on onerous contracts | **-** | **-** | **12,241** | **6,456** | **18,697** | - | - | - | 119 | 119 |
| Changes in estimates that do not adjust the contractual service margin | **66,462** | **16,117** | **-** | **-** | **82,579** | (60,403) | 2,462 | - | - | (57,941) |
| **Changes that relate to past services** | | | | | | | | | | |
| Adjustments to assets for incurred claims | **(47,472)** | **(4,476)** | **-** | **-** | **(51,948)** | 102,800 | 11,202 | - | - | 114,002 |
| **Net income/(expense) from reinsurance contracts held** | **60,220** | **127,332** | **(44,296)** | **(137,987)** | **5,269** | (153,760) | 12,553 | 9,690 | 10,863 | (120,654) |
| Net finance (expense)/income from insurance contracts | **(11,516)** | **-** | **969** | **2,451** | **(8,096)** | 14,693 | - | 113 | 36 | 14,842 |
| Effect of movements in exchange rates and other movements | **(3,062)** | **(346)** | **3,333** | **(2,218)** | **(2,293)** | - | - | - | - | - |
| **Total changes in the statement of comprehensive income** | **45,642** | **126,986** | **(39,994)** | **(137,754)** | **(5,120)** | (139,067) | 12,553 | 9,803 | 10,899 | (105,812) |

## 17. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts - Analysis by measurement component (continued)
(iii) Reinsurance contracts - Other (continued)

| | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | CSM | | | | | CSM | | |
| | **Estimates of present value of future cash flows $'000** | **Risk adjustment for non-financial risk $'000** | **Contract under fair value approach $'000** | **Other Contracts $'000** | **Total $'000** | Estimates of present value of future cash flows $'000 | Risk adjustment for non-financial risk $'000 | Contract under fair value approach $'000 | Other Contracts $'000 | Total $'000 |
| **Cash flows** | | | | | | | | | | |
| Premiums (received)/paid net of ceding commissions and other directly attributable expenses paid | **(14,822)** | **-** | **-** | **-** | **(14,822)** | 402,654 | - | - | - | 402,654 |
| Claims and other recoverable received | **(131,117)** | **-** | **-** | **-** | **(131,117)** | (137,202) | - | - | - | (137,202) |
| **Total cash flows** | **(145,939)** | **-** | **-** | **-** | **(145,939)** | 265,452 | - | - | - | 265,452 |
| Others | **(63,686)** | **-** | **158** | **3,098** | **(60,430)** | 393 | - | 2 | (2) | 393 |
| **Net closing balance** | **(461,668)** | **83,902** | **7,658** | **23,965** | **(346,143)** | 49,689 | 4,290 | 39,313 | 10,897 | 104,189 |
| | | | | | | | | | | |
| Closing assets | **80,066** | **(77,318)** | **24,151** | **149,295** | **176,194** | 174,639 | 16,916 | 9,332 | 8,633 | 209,520 |
| Closing liabilities | **(541,734)** | **161,220** | **(16,493)** | **(125,330)** | **(522,337)** | (124,950) | (12,626) | 29,981 | 2,264 | (105,331) |
| **Net closing balance** | **(461,668)** | **83,902** | **7,658** | **23,965** | **(346,143)** | 49,689 | 4,290 | 39,313 | 10,897 | 104,189 |

**HSBC LIFE (SINGAPORE) PTE. LTD.**

**NOTES TO THE FINANCIAL STATEMENTS**
*For the financial year ended 31 December 2023*

## 17. Insurance and reinsurance contract liabilities (continued)

(c) Effect of contracts initially recognised in the year (continued)
i) Life direct participating

| | 2023 | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Profitable contracts acquired** | **Profitable contracts issued** | **Onerous contracts acquired** | **Onerous contracts issued** | **Total** | Profitable contracts acquired | Profitable contracts issued | Onerous contracts acquired | Onerous contracts issued | Total |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Insurance contracts** | | | | | | | | | | |
| Estimates of present value of cash outflows | **-** | **1,482,848** | **-** | **61,747** | **1,544,595** | - | 976,052 | - | - | 976,052 |
| - Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes | **-** | **121,573** | **-** | **4,221** | **125,794** | - | 85,063 | - | - | 85,063 |
| - Claims and other insurance service expenses payable | **-** | **1,361,275** | **-** | **57,526** | **1,418,801** | - | 890,989 | - | - | 890,989 |
| Estimates of present value of cash inflows | **-** | **(1,626,044)** | **-** | **(62,508)** | **(1,688,552)** | - | (1,081,688) | - | - | (1,081,688) |
| Risk adjustment for non-financial risk | **-** | **11,517** | **-** | **761** | **12,278** | - | 6,155 | - | - | 6,155 |
| CSM | **-** | **131,679** | **-** | **-** | **131,679** | - | 99,481 | - | - | 99,481 |
| **Losses recognised on initial recognition** | **-** | **-** | **-** | **-** | **-** | - | - | - | - | - |

## 17. Insurance and reinsurance contract liabilities (continued)

(c)Effect of contracts initially recognised in the year (continued)
ii) Others

| | **2023** | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Profitable contracts acquired** | **Profitable contracts issued** | **Onerous contracts acquired** | **Onerous contracts issued** | **Total** | Profitable contracts acquired | Profitable contracts issued | Onerous contracts acquired | Onerous contracts issued | Total |
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Insurance contracts** | | | | | | | | | | |
| Estimates of present value of cash outflows | **-** | **262,649** | **-** | **40,592** | **303,241** | - | 260,174 | - | 89,851 | 350,025 |
| - Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes | **-** | **45,745** | **-** | **8,088** | **53,833** | - | 51,137 | - | 18,520 | 69,657 |
| - Claims and other insurance service expenses payable | **-** | **216,904** | **-** | **32,504** | **249,408** | - | 209,037 | - | 71,331 | 280,368 |
| Estimates of present value of cash inflows | **-** | **(310,643)** | **-** | **(13,363)** | **(324,006)** | - | (315,590) | - | (64,650) | (380,240) |
| Risk adjustment for non-financial risk | **-** | **7,621** | **-** | **2,572** | **10,193** | - | 6,616 | - | 3,564 | 10,180 |
| CSM | **-** | **40,373** | **-** | **-** | **40,373** | - | 48,800 | - | - | 48,800 |
| **Losses recognised on initial recognition** | **-** | **-** | **-** | **29,801** | **29,801** | - | - | - | 28,765 | 28,765 |

## 17. Insurance and reinsurance contract liabilities (continued)

(c)Effect of contracts initially recognised in the year (continued)
(iii) Reinsurance contracts held – Other

| | **2023** | | | | | 2022 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Contracts acquired without loss-recovery component** | **Contracts initiated without loss-recovery component** | **Contracts acquired with loss-recovery component** | **Contracts initiated with loss-recovery component** | Total | Contracts acquired without loss-recovery component | Contracts initiated without loss-recovery component | Contracts acquired with loss-recovery component | Contracts initiated with loss-recovery component | Total |
| | ***$'000*** | ***$'000*** | ***$'000*** | ***$'000*** | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Reinsurance contracts held** | | | | | | | | | | |
| Estimates of present value of cash inflows | **-** | **(62,873)** | **-** | **(25,284)** | **(88,157)** | - | (57,675) | - | (26,568) | (84,243) |
| Estimates of present value of cash outflows | **-** | **71,181** | **-** | **15,785** | **86,966** | - | 70,560 | - | 40,833 | 111,393 |
| Risk adjustment for non-financial risk | **-** | **(404)** | **-** | **(1,572)** | **(1,976)** | - | 262 | - | (3,074) | (2,812) |
| CSM | **-** | **(5,121)** | **-** | **(10,523)** | **(15,644)** | - | (2,975) | - | (30,581) | (33,556) |
| Increase/(decrease) in reinsurance contract assets from contracts recognised during the year | **-** | **2,783** | **-** | **(21,594)** | **(18,811)** | - | 10,172 | - | (19,390) | (9,218) |

## 17. Insurance and reinsurance contract liabilities (continued)

(d) Analysis of the remaining contractual service margin

| | Within 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | 5-10 years | Over 10 years | Total |
|---|---|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Insurance contracts** | | | | | | | | |
| Life direct participating | **79,267** | **70,731** | **63,904** | **58,075** | **53,164** | **199,934** | **361,028** | **886,103** |
| Others | **20,507** | **14,122** | **12,060** | **10,628** | **9,438** | **33,967** | **44,397** | **145,119** |
| **Remaining contractual service margin on insurance contracts at 31 Dec 2023** | **99,774** | **84,853** | **75,964** | **68,703** | **62,602** | **233,901** | **405,425** | **1,031,222** |
| **Reinsurance contracts held** | | | | | | | | |
| Others | **(6,558)** | **(3,518)** | **(2,957)** | **(2,533)** | **(2,193)** | **(7,644)** | **(6,220)** | **(31,623)** |
| **Remaining contractual service margin on reinsurance contracts at 31 Dec 2023** | **(6,558)** | **(3,518)** | **(2,957)** | **(2,533)** | **(2,193)** | **(7,644)** | **(6,220)** | **(31,623)** |
| **Insurance contracts** | | | | | | | | |
| Life direct participating | 56,968 | 51,186 | 46,072 | 41,919 | 38,378 | 151,779 | 270,361 | 656,663 |
| Others | 23,070 | 10,493 | 8,902 | 7,679 | 6,724 | 23,874 | 29,924 | 110,666 |
| **Remaining contractual service margin on insurance contracts at 31 Dec 2022** | 80,038 | 61,679 | 54,974 | 49,598 | 45,102 | 175,653 | 300,285 | 767,329 |
| **Reinsurance contracts held** | | | | | | | | |
| Others | (12,737) | (4,309) | (3,646) | (3,077) | (2,670) | (9,857) | (13,914) | (50,210) |
| **Remaining contractual service margin on reinsurance contracts at 31 Dec 2022** | (12,737) | (4,309) | (3,646) | (3,077) | (2,670) | (9,857) | (13,914) | (50,210) |

## 18. Other payables and accrued expenses

| | **2023** **$'000** | Restated 2022 $'000 |
|---|---|---|
| Cash collaterals withheld | **13,542** | 11,637 |
| Investment payables | **59,326** | 5,428 |
| Accrued staff related costs | **37,108** | 19,650 |
| Accrued operating expenses | **55,198** | 89,174 |
| Accruals for distribution costs | **65,511** | 78,190 |
| Sundry creditors | **52,290** | 13,416 |
| Others | **34,282** | 29,361 |
| Total | **317,257** | 246,856 |

The carrying amounts of other creditors and accruals approximate their fair values and are predominantly in Singapore dollars and US dollars.

The carrying amounts of other payables and accrued expenses are current.

## 19. Borrowings

| | **2023** **$'000** | 2022 $'000 |
|---|---|---|
| *Current* | | |
| Lease liabilities | **98** | - |
| *Non-current* | | |
| Lease liabilities | **86** | - |
| Total borrowings | **184** | - |

## 19. Borrowings (continued)

### Reconciliation of liabilities arising from financing activities

| | 1 January 2023 $'000 | Principal and interest payments $'000 | Non-cash changes: Modification of lease liability $'000 | Non-cash changes: Interest expense $'000 | Non-cash changes: Addition - new leases $'000 | Non-cash changes: Disposals - leases $'000 | Non-cash changes: Foreign exchange movement $'000 | 31 December 2023 $'000 |
|---|---|---|---|---|---|---|---|---|
| **Lease liabilities** | **-** | **(80)** | **-** | **10** | **254** | **-** | **-** | **184** |

| | 1 January 2022 $'000 | Principal and interest payments $'000 | Non-cash changes: Modification of lease liability $'000 | Non-cash changes: Interest expense $'000 | Non-cash changes: Addition - new leases $'000 | Non-cash changes: Disposals - leases $'000 | Non-cash changes: Foreign exchange movement $'000 | 31 December 2022 $'000 |
|---|---|---|---|---|---|---|---|---|
| Lease liabilities | 3,117 | (2,987) | - | 30 | - | (160) | - | - |

## 20. Share capital

| | Number of shares $'000 | Amount $'000 |
|---|---|---|
| **2023** | | |
| Beginning of financial year | **869,827** | **873,484** |
| Issuance of share capital | **488,000** | **488,000** |
| End of financial year | **1,357,827** | **1,361,484** |
| | | |
| **2022** | | |
| Beginning and end of financial year | 869,827 | 873,484 |

The Company has one class of ordinary shares which carry no right to fixed income.

## 21. Other reserves

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| Beginning of financial year | **1,635** | 6,376 |
| Value of employee services | **1,788** | 2,859 |
| Recharge to previous ultimate holding company | **-** | (5,189) |
| Recharge to ultimate holding company | **-** | (2,411) |
| Business transfer | **(560,743)** | - |
| End of financial year | **(557,320)** | 1,635 |

Other reserves comprises of the cumulative value of employee services received for the issue of share options of the ultimate holding company, and the impact from business transfer of an insurance business from a fellow subsidiary, representing the excess of consideration determined on the valuation basis used in the MAS regulatory returns over the net asset value transferred determined on FRS, details refer to Note 27.

Other reserve is non-distributable.

## 22. Share-based payments

The Company participates in various share option and share plans operated by HSBC whereby share options or shares of HSBC are granted to employees of the group. The Company recognises an expense in respect of these share options and share awards. The cost borne by the ultimate holding company in respect of share options is treated as a capital contribution and is recorded within "Other reserves". In respect of share awards, the Company recognises a liability to the ultimate holding company over the vesting period. This liability is measured at the fair value of the shares at each reporting date, with changes since the award dates adjusted through the capital contribution account within "Other reserves".

## 23. Commitments and contingent liability

(a) Unfunded capital commitments

Private equity funds contracted for at the balance sheet date but not recognised in the financial statements are as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| Private equity funds - call on demand | **279,244** | 57,492 |

(b) Litigation

The Company is involved in litigation arising in the ordinary course of its business. Taking into account legal advice received, the Board is of the opinion that adequate provisions have been made in the financial statements.

## 24. Interests in unconsolidated structured entities

Unconsolidated structured entities refer to structured entities that are not controlled by the Company. The Company has determined that all of its investment funds and private equity funds are investments in unconsolidated structured entities. These funds may utilise a variety of financial instruments in their trading strategies, including equity and debt securities as well as an array of derivative instruments. Several of these financial instruments contain varying degrees of off-balance sheet risks whereby changes in market values of the securities underlying the financial instruments may be in excess of the amounts recorded on each portfolio fund's balance sheet. However, as the Company has limited interests in these funds, the Company's risk with respect to such transactions is limited to its capital balance in each fund.

The Company's holding in a fund, as a percentage of the fund's total net asset value, will vary from time to time dependent on the volume of subscriptions and redemptions at the fund level. It is possible that the Company may, at any point in time, hold a majority of a fund's total units in issue.

The Company's maximum exposure to loss from its interests in funds is equal to the total fair value of its investments in the funds. Once the Company has disposed of its shares/units in a portfolio fund, the Company ceases to be exposed to any risk from that fund.

The following table summarises the carrying value of the assets recognised in the Company's financial statements relating to the interest in unconsolidated structured entities in its investment funds.

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| Financial assets, at fair value through profit or loss | **4,656,539** | 2,900,463 |

## 25. Holding companies

The Company's immediate holding company is HSBC Insurance (Asia-Pacific) Holdings Limited, incorporated in Hong Kong, which is ultimately held by HSBC Holdings plc, incorporated in England.

Related parties in these financial statements refer to members of the HSBC group of companies.

## 26. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Company and related parties at terms agreed between the parties:

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| **Related corporations** | | |
| IT related cost payment | **30,680** | 39,402 |
| Payment of other expense recharges | **23,815** | 29,613 |
| Fund management fees | **3,661** | 2,116 |
| Commission paid | **20,302** | - |
| Commission received | **120,014** | - |
| Premium paid | **365** | - |
| Premium received | **23,410** | - |
| Claims recovered | **2,314** | - |
| Rental cost | **12,627** | - |

Key management personnel compensation is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **$'000** | $'000 |
| Salaries | **10,634** | 10,449 |
| Share-based payments | **315** | 232 |
| Directors' fees | **13** | 152 |
| | **10,962** | 10,833 |

On 1 February 2023, HSBC Insurance (Singapore) Pte. Limited, a fellow subsidiary with the HSBC Group, transferred its insurance business to the Company pursuant to a scheme of transfer ("SoT") under section 119(1)(a) of the Insurance Act 1966. Further information is provided in Note 27.

## 27. Business transfer

On 1 February 2023, HSBC Insurance (Singapore) Pte. Limited's insurance business was transferred to the Company pursuant to a scheme of transfer ("SoT") under section 119(1)(a) of the Insurance Act 1966. The SoT was approved by the Monetary Authority of Singapore and the High Court of Singapore on 4 November 2022 and 17 January 2023, respectively. The consideration amount was equivalent to the assets and liabilities of HSBC Insurance (Singapore) Pte. Limited transferred as at 1 February 2023 on the valuation basis used in the MAS regulatory returns.

The assets and liabilities transferred from HSBC Insurance (Singapore) Pte. Limited, the excess of consideration over the net asset value transferred is included within the other reserves.

| | $'000 |
|---|---|
| Intangible assets | 10,170 |
| Property and equipment | 247 |
| Insurance contract assets | 25,618 |
| Reinsurance contract assets | 45,730 |
| Financial assets | |
| - Loans and receivables | 114,507 |
| - Derivative financial instruments | 40,559 |
| - Financial assets, at fair value through profit or loss | 6,020,695 |
| - Financial assets, at amortised cost | 22,801 |
| Amount due from related companies | 22,258 |
| Cash and cash equivalents | 332,077 |
| | |
| Less: | |
| Insurance contract liabilities | 6,261,869 |
| Reinsurance contract liabilities | 284,573 |
| Borrowings | 254 |
| Financial liabilities | |
| - Derivative financial instruments | 11,278 |
| Other payables and accruals | 30,767 |
| Net asset value transferred | 45,921 |
| | |
| Total consideration | 606,664 |
| | 606,664 |
| | |
| Excess of consideration over the net asset value | 560,743 |

The consideration arising from the Scheme of Transfer has been fully settled by cash during 2023.

| | |
|---|---|
| Net cash outflow arising on business transfer | |
| - Cash consideration paid | 606,664 |
| - Cash and cash equivalents transfer in | 332,077 |
| | 274,587 |

## 27. Business transfer (continued)

### Expenses incurred for the business transfer

Expenses incurred for the business transfer of $0.7 million are included as "Other operating expenses" in the statement of comprehensive income and in operating cash flows in the statement of cash flows.

## 28. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of HSBC Life (Singapore) Pte. Ltd. on 29 April 2024.