HSBC LIFE (SINGAPORE) PTE. LTD.

(Formerly known as AXA Insurance Pte. Ltd.)

(Registration No. 199903512M)

ANNUAL REPORT

For the financial year ended 31 December 2022

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Contents

HSBC LIFE (SINGAPORE) PTE. LTD.
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DIRECTORS' STATEMENT
For the financial year ended 31 December 2022

The directors present their statement to the member together with the audited financial statements of HSBC Life (Singapore) Pte. Ltd. (formerly known as AXA Insurance Pte. Ltd.) (the "Company") for the financial year ended 31 December 2022.

In the opinion of the directors,

(a) the financial statements of the Company as set out on pages 6 to 98 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2022 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)
Babak Nikzad Abbasabadi
Gan Chieh Huey
Ho Lee Yen (He Liyun)
Wong Kee Joo
Yap Chee Meng

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, #48-01 Marina Bay Financial Centre, 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.

Directors' interests in shares or debentures (continued)

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in Note 38 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

Ho Lee Yen (He Liyun) Director	A.Chamberlain Chamberlain Alistair John Chairman

31 March 2023

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF HSBC LIFE (SINGAPORE) PTE. LTD.
(formerly known as AXA INSURANCE 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. (formerly known as AXA Insurance 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 2022 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

What we have audited

The financial statements of the Company comprise:

- the statement of comprehensive income for the year ended 31 December 2022;
- the balance sheet as at 31 December 2022;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

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.

INDEPENDENT AUDITOR’S REPORT TO THE MEMBER OF HSBC LIFE (SINGAPORE) PTE. LTD. (formerly known as AXA INSURANCE PTE. LTD.) (continued)

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, 31 March 2023

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2022

	Notes	**2022** **$'000**	2021 $'000
INCOME			
Gross written premiums	5	**857,073**	1,070,661
Premiums ceded to reinsurers	5	**(425,816)**	(115,913)
Net written premiums	5	**431,257**	954,748
Fee and commission income	6	**84,311**	88,466
Investment loss	7	**(471,354)**	(31,241)
Other income		**4,542**	5,949
Total income		**48,756**	1,017,922
EXPENSES			
Gross claims paid, surrenders and annuities	8	**517,205**	569,212
Reinsurer's share of claims paid, surrenders and annuities	8	**(143,735)**	(86,902)
Net claims and policy benefits	8	**373,470**	482,310
(Decrease)/increase in insurance contract liabilities, gross of reinsurance		**(296,214)**	96,364
(Increase)/decrease in reinsurers's share of insurance contract liabilities		**(127,493)**	14,059
Commission and distribution expenses	9	**186,580**	230,687
Employee compensation	10	**77,029**	83,144
Management expenses	11	**111,761**	82,261
Investment expense	12	**6,666**	7,319
Other expenses	13	**55,947**	19,666
Total expenses		**387,746**	1,015,810
(Loss)/income before income tax		**(338,990)**	2,112
Income tax benefit	14	**1,262**	8,690
(Loss)/income for the year		**(337,728)**	10,802
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
- Fair value losses, net of tax		**-**	(6,841)
- Transfers on disposal	7	**-**	176
Other comprehensive loss, net of tax		**-**	(6,665)
Total comprehensive loss		**(337,728)**	4,137

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

HSBC LIFE (SINGAPORE) PTE. LTD.
(Formerly known as AXA Insurance Pte. Ltd.)

BALANCE SHEET
For the financial year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
ASSETS			
Intangible assets	15	**86,169**	88,426
Property and equipment	16	**-**	4,169
Reinsurers' share of insurance contract liabilities	26	**147,639**	20,232
Loans receivable	18	**24,746**	23,871
Derivative financial instruments	19	**59,724**	5,393
Available-for-sale financial assets	20	**-**	402,890
Financial assets, at fair value through profit or loss	21	**4,138,024**	4,676,920
Other receivables	23	**59,998**	61,099
Insurance receivables	24	**105,551**	151,855
Cash and cash equivalents	25	**183,254**	145,325
Total assets		**4,805,105**	5,580,180
LIABILITIES			
Insurance contract liabilities, gross of reinsurance	26	**2,965,653**	3,260,873
Investment contract liabilities	27	**1,012,486**	1,180,234
Deferred tax liabilities	14	**88,830**	93,034
Derivative financial instruments	19	**23,959**	53,099
Amount due to related companies	22	**29,726**	-
Other payables and accrued expenses	28	**242,708**	229,308
Insurance payables	29	**148,630**	125,750
Borrowings	30	**-**	3,117
Income tax payable	14	**1,657**	1,954
Total liabilities		**4,513,649**	4,947,369
NET ASSETS		**291,456**	632,811
EQUITY			
Share capital	31	**873,484**	873,484
Accumulated losses		**(583,663)**	(252,489)
Fair value reserve	32	**-**	5,440
Capital reserve	33	**1,635**	6,376
Total equity		**291,456**	632,811

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

HSBC LIFE (SINGAPORE) PTE. LTD.
(Formerly known as AXA Insurance Pte. Ltd.)

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2022

	Notes	Share capital $'000	Accumulated losses $'000	Fair value reserve $'000	Capital reserve $'000	Total equity $'000
2022						
Balance as at 31 December 2021		**873,484**	**(252,489)**	**5,440**	**6,376**	**632,811**
Adoption of FRS 109		**-**	**6,554**	**(5,440)**	**-**	**1,114**
Balance as at 1 January 2022		**873,484**	**(245,935)**	**-**	**6,376**	**633,925**
Loss for the year		**-**	**(337,728)**	**-**	**-**	**(337,728)**
Total comprehensive loss for the year		**-**	**(337,728)**	**-**	**-**	**(337,728)**
Value of employee services	33	**-**	**-**	**-**	**2,859**	**2,859**
Recharge to previous ultimate holding company	33	**-**	**-**	**-**	**(5,189)**	**(5,189)**
Recharge to ultimate holding company	33	**-**	**-**	**-**	**(2,411)**	**(2,411)**
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**(4,741)**	**(4,741)**
End of financial year		**873,484**	**(583,663)**	**-**	**1,635**	**291,456**
2021						
Beginning of financial year		873,484	(263,291)	12,105	4,431	626,729
Income for the year		-	10,802	-	-	10,802
Other comprehensive loss for the year		-	-	(6,665)	-	(6,665)
Total comprehensive income for the year		-	10,802	(6,665)	-	4,137
Value of employee services	33	-	-	-	3,227	3,227
Recharge to previous ultimate holding company	33	-	-	-	(1,282)	(1,282)
Total transactions with owners, recognised directly in equity		-	-	-	1,945	1,945
End of financial year		873,484	(252,489)	5,440	6,376	632,811

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

HSBC LIFE (SINGAPORE) PTE. LTD.
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STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
(Loss)/income before income tax		**(338,990)**	2,112
Adjustments for:			
Depreciation expense	11	**4,010**	10,490
Amortisation of intangible assets	11	**20,507**	20,316
Impairment/write-off of intangible assets	13	**23,243**	-
Net realised and unrealised losses/(gains) on financial assets and liabilities at fair value through profit or loss	7	**525,864**	87,310
Net realised losses on sale of available-for-sale financial assets	7	**-**	176
Interest and dividend income	7	**(54,510)**	(56,245)
Interest expense on lease liabilities	17	**30**	226
(Gain)/loss on lease modification and pre-termination		**(1)**	656
Share-based compensation expense		**2,859**	3,227
Loss on disposals of property and equipment	13	**5**	-
Operating cash flow before working capital change		**183,017**	68,268
Changes in working capital:			
Insurance receivables		**46,304**	(34,417)
Other receivables		**(656)**	(76)
Insurance payables		**22,880**	(605)
Other payables and accrued expenses		**8,642**	(35,683)
Net amount due from/to related companies		**29,726**	1,154
Insurance contract liabilities		**(422,627)**	110,066
Investment contract liabilities		**(167,748)**	133,654
Cash (used in)/generated from operations		**(300,462)**	242,361
Income tax paid	14	**(1,871)**	(1,046)
Withholding tax paid		**(254)**	-
Share-based compensation paid		**(2,842)**	(1,282)
Net cash (used in)/provided by operating activities		**(305,429)**	240,033
Cash flows from investing activities			
Purchases of property and equipment and computer software		**(41,498)**	(17,443)
Prepayment of leases		**-**	(10)
Purchases of financial assets		**(882,118)**	(1,601,577)
Proceeds from sale and maturity of financial assets		**1,214,569**	1,339,522
Interest and dividends received		**56,267**	54,676
Disbursement of loans		**(5,905)**	(7,848)
Repayment of loans		**5,030**	7,583
Net cash provided by/(used in) investing activities		**346,345**	(225,097)
Cash flows from financing activities			
Principal payment of lease liabilities		**(2,957)**	(8,925)
Interest paid		**(30)**	(226)
Net cash used in financing activities		**(2,987)**	(9,151)
Net increase in cash and cash equivalents		**37,929**	5,785
Cash and cash equivalents at beginning of financial year		**145,325**	139,540
Cash and cash equivalents at end of financial year	25	**183,254**	145,325

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

HSBC Life (Singapore) Pte. Ltd. (formerly known as AXA Insurance Pte. Ltd.) (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 business in Singapore.

2. Significant 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.

Interpretations and amendments to published standards effective in 2022

On 1 January 2022, 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 109 *Financial Instruments*.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2022 (continued)

Other amendments to Standards do not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. New or amended accounting Standards and Interpretations that are not mandatory for 31 December 2022 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, except for FRS 117 *Insurance Contracts* (Note 39.1).

Adoption of FRS 109 Financial Instruments

The Company has adopted the new standard retrospectively from 1 January 2022, in line with the transition provision permitted under the standards. Comparatives for financial year ended 2021 are not restated and the Company has recognised any difference between the carrying amounts at 31 December 2021 and 1 January 2022 in the opening retained earnings.

The accounting policies for financial instruments under FRS 109 are disclosed in Note 2.14(b).

The effect on adoption of FRS 109 is reclassifying investments from available-for-sale (AFS) to fair value through profit or loss (FVPL).

	Available-for-sale financial assets $'000	Financial assets at FVPL $'000	Fair value reserve $'000	Deferred tax liability $'000	Accumulated losses $'000
Balances at 31 December 2021 before adoption of FRS 109	402,890	4,676,920	5,440	93,034	(252,489)
Reclassifying investments from AFS to FVPL	(402,890)	402,890	(5,440)	-	5,440
Tax effects	-	-	-	(1,114)	1,114
Balances at 1 January 2022 after adoption of FRS 109	**-**	**5,079,810**	**-**	**91,920**	**(245,935)**

2. Significant accounting policies (continued)

2.2 Revenue recognition

(a) Premium income

(i) Life Insurance business

Premium income in respect of all new individual life policies is recognised in full in profit or loss when received. Renewal premiums are taken up in the accounts in full where the renewal dates fall within the accounting period.

Premium income in respect of group life policies is recognised at the time of commencement of the risk, and earned over the period of risk coverage.

(ii) General Insurance business

Premiums on insurance contracts are recognised as written at the time of inception of the policy and earned over the period of coverage.

Treaty reinsurance inward premiums are recognised as written on receipt of statements from cedants up to the time of closing of the books.

Gross written premium is shown before movements in unearned premium provision and deduction of commission; and are net of any taxes or duties levied on premiums.

(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. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(c) Fee income

Fee income is recognised as revenue in the period in which they are collected unless they relate to services which will be provided in future periods, in which case they will be deferred and recognised as the service is provided.

(d) Reinsurance commission income

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

2.3 Classification of contracts

The Company issues contracts that transfer insurance risk, financial risk or both. For the purposes of these accounts, contracts are classified as insurance contracts or investment contracts.

(a) Insurance contracts

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of possible future changes in a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

For general insurance activities, the Company issues motor, casualty, property, and accident and health insurance contracts.

(b) Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Certain insurance contracts contain both an insurance component and an investment component. The Company is not required to un-bundle these insurance contracts as the current accounting policy recognises all insurance premiums, claims and benefits payments, expenses and valuation of future benefit payments, inclusive of the investment component, through profit or loss.

2. Significant accounting policies (continued)

2.3 Classification of contracts (continued)

(c) Insurance and investment contracts including those with discretionary participation features (DPF)

Both insurance and investment contracts may contain discretionary participation features. A contract with a discretionary participation feature is a contractual right held by a policyholder to receive as a supplement to guaranteed minimum payments, additional payments that are likely to be a significant portion of the total contractual payments, and whose amount or timing is contractually at the discretion of the issuer based on the performance of a specified pool of contracts or a specified type of contract.

The Company does not recognise the guaranteed component separately from the discretionary participation feature; hence the whole contract is presented within the insurance contract liabilities in the financial statements.

2.4 Valuation of insurance contract liabilities

(a) Life insurance business

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The valuation of insurance contract liabilities is determined according to the Singapore Insurance Act (Chapter 142) and the Insurance (Valuation and Capital) Regulations 2004 ("the Regulations") and MAS Notice 133 (Notice on Valuation and Capital Framework for Insurers), including any subsequent amendments to the notice and regulations.

The Regulations requires the Company to carry out a liability adequacy test annually by insurance fund using current best estimates of future cash flows under its insurance contracts. Generally, the valuation of a life business policy involves first a projection of future cash flows using realistic assumptions (including assumptions on expenses, mortality and morbidity rates, lapse rates, etc.) and then discounting these cash flow streams at appropriate interest rates. Additional provisions are recognised in the insurance fund where there are deficiencies.

2. Significant accounting policies (continued)

2.4 Valuation of insurance contract liabilities (continued)

(a) Life insurance business (continued)

The liability in respect of any policy will not be less than zero unless there is money due to the insurer when the policy is terminated on the Valuation Date, in which event the value of the liability may be negative to the extent of the amount due to the insurer.

(i) Participating fund insurance contracts liabilities

The liability is the sum of:

- the value of expected future payments arising from guaranteed benefits of the policy including any expense that the insurer expects to incur in administering the policies and settling the relevant claims, less expected future receipts arising from guaranteed benefits of the policy; and

- the value of expected payments arising from non-guaranteed benefits of the policy in respect of future allocation of bonus and future allocation to the surplus account, under section 17(6) of the Act.

The total liability is calculated as:

- the sum of the liability in respect of each policy of the fund determined in the manner described above;

- the Minimum Condition Liability of the fund, which is the value of expected future payments arising from the policy, including any expense that the insurer expects to incur in administering the policy and settling any relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy, but does not include any provision for non-guaranteed benefits; and

- the value of policy assets of the fund, whichever is the highest.

2. Significant accounting policies (continued)

2.4 Valuation of insurance contract liabilities (continued)

(a) Life insurance business (continued)

(ii) Non-participating fund long-term insurance contract liabilities

The liability is the value of expected future payments arising from the policy, including any expense that the insurer expects to incur in administering the policy and settling any relevant claims and any provision made for any adverse deviation from expected experience, less expected future receipts arising from the policy.

(iii) Non-participating fund yearly-renewable insurance contract liabilities (including Group Life insurance contract liabilities and AXA Shield)

The liability is the sum of:

- the premium liabilities, which is:
  - the unearned premium reserves, which is the portion of premiums received on in-force contracts that relates to unexpired risks at the balance sheet date and are calculated using the 1/24 method based on the gross premiums written during the financial year;
  - the unexpired risk reserves, which is the value of the expected future payments arising from future events insured under policies in force as at the valuation date, including any expense expected to be incurred in administering the policies and settling relevant claims; and any provision for adverse deviation in accordance with local regulatory requirements.

  whichever is higher, and

- the claims liabilities, which represents the estimated ultimate cost of settling all claims including direct and indirect settlement costs, arising from events that occurred up to the reporting date. Claims liabilities include unpaid losses and loss adjustment expenses, which consist of estimates for reported losses and provisions for losses incurred but not yet reported ("IBNR"); and any provision for adverse deviation in accordance with local regulatory requirements.

2. Significant accounting policies (continued)

2.4 Valuation of insurance contract liabilities (continued)

(a) Life insurance business (continued)

(iv) Investment-linked fund insurance contract liabilities other than backend-loaded contracts

The liability is the sum of:

- the unit reserves, calculated as the value of the underlying assets backing the units relating to the policy; and
- the non-unit reserves, calculated as the expected future payments arising from the policy (other than those relating to the unit reserves), including any expenses that the insurer expects to incur in administering the policies and settling the relevant claims and any provision made for any adverse deviation from the expected experience, less expected future receipts arising from the policy (other than those relating to the unit reserves).

(v) Investment-linked fund backend-loaded insurance contract liabilities

The liability is calculated in the same manner as for other investment-linked fund insurance contracts, with the unit reserves being the policyholder account value after actuarial funding.

In addition, for Polaris, Optimus, HSBC Life Wealth Treasure and HSBC Life Wealth Accelerate (previously AXA Wealth Treasure and AXA Wealth Accelerate), the sum of unit and non-unit reserves is at least the surrender value on the policy.

(b) General insurance business

Insurance liabilities comprise premium liabilities and claim liabilities.

(i) Premium liabilities

Premium liabilities is the higher of the unearned premium reserves and unexpired risk reserves. The portion of premiums received on in-force contracts that relates to unexpired risk at the valuation date is reported as unearned premium reserves. Unearned premium reserves are calculated for each contract, based on the gross premiums written during the financial year less return premiums and deferred acquisition costs, using a method pro-rated to the policy duration and time profile of each risk. Time profiles of risks are assessed on an annual basis.

2. Significant accounting policies (continued)

2.4 Valuation of insurance contract liabilities (continued)

(b) General insurance business (continued)

Insurance liabilities comprise premium liabilities and claim liabilities. (continued)

(i) Premium liabilities (continued)

Unexpired risk reserves

Unexpired risk reserves is the value of expected future payments arising from future events insured under policies in force as at the valuation date, including any expense expected to be incurred in administering the policies and settling relevant claims; and any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency.

(ii) Claim liabilities

Claim liabilities is the present value of the expected future payments in relation to all claims incurred prior to the valuation date, whether or not they have been reported to the insurer, including any expense expected to be incurred in settling those claims; and any provision for any adverse deviation from the expected experience, calculated based on the 75 per cent level of sufficiency.

2.5 Recognition and measurement of investment contracts

Amounts collected on investment contracts, which primarily involve the transfer of financial risk are accounted for using deposit accounting, under which the amounts collected less directly attributable transaction costs are credited directly to the balance sheet as an adjustment to the liability to the policyholder. Claims incurred are adjusted directly against the fair value of investment contract liability.

Investment contract liabilities are measured at fair value. Transaction costs that are directly attributable to the issue of the financial liability are deducted from the fair value of the consideration received when determining its initial measurement.

2.6 Deferred acquisition costs ("DAC")

Commissions and other acquisition costs that vary with and are directly related to securing new contracts and renewing existing contracts are deducted against unearned premium reserves. Acquisition costs are deferred over the period in which the related premiums are earned. All other costs are recognised as expenses when incurred.

2. Significant accounting policies (continued)

2.7 Reinsurance contracts

The Company enters into reinsurance arrangements under which the Company is compensated for losses on one or more contracts issued by the Company. Insurance contracts entered into by the Company under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

Reinsurance contracts which meet the definition of insurance contracts are classified as reinsurance contracts held. Reinsurance premiums are recognised as they become payable and are shown after deduction of reinsurance commission. Claims recoverable are recognised in the profit or loss and are estimated in a manner consistent with the underlying contract liabilities, outstanding claim provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

The Company assesses its reinsurance assets for impairment when there is objective evidence that the Company will not be able to collect all amounts due in accordance with the original terms of the contract, having regard to market data on the financial strength of each of the reinsurance companies. The amount of allowances is recognised in profit or loss.

2.8 Liability adequacy tests

At each financial year-end, liability adequacy tests are performed to ensure the adequacy of policy liabilities by using the current best estimates of future cash flows and the investment income from the assets backing such liabilities. The valuation on the local statutory basis implicitly ensures that the policy liabilities on best estimate assumptions are adequate, as Provisions for Adverse Deviation ("PAD") are added to the best estimate valuation assumptions in the determination of the policy liabilities.

2.9 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.

2. Significant accounting policies (continued)

2.9 Employee compensation (continued)

(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.

2.10 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.

2. Significant accounting policies (continued)

2.10 Income taxes (continued)

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.

2.11 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.

2. Significant accounting policies (continued)

2.11 Property and equipment (continued)

(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 profit or loss when incurred.

(d) Disposal

On disposal of an item of property and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss.

2. Significant accounting policies (continued)

2.12 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. Significant accounting policies (continued)

2.13 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. Significant accounting policies (continued)

2.13 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 6%.

2.14 Financial assets

(a) The accounting for financial assets before 1 January 2022 under FRS 39 are as follows:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are presented as “cash and cash equivalents”, “insurance receivables”, “other receivables”, “amount due from related companies” and “loans receivable” on the balance sheet.

Loans and receivables are initially recognised at fair values plus transaction costs and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

2. Significant accounting policies (continued)

2.14 Financial assets (continued)

(a) The accounting for financial assets before 1 January 2022 under FRS 39 are as follows: (continued)

(i) Loans and receivables (continued)

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets are reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are initially recognised at fair values plus transaction costs and subsequently carried at fair values. Changes in fair values are recognised in other comprehensive income and accumulated in the fair value reserve within equity.

These financial assets are recognised on the date which the Company commits to purchase the asset. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired. Significant or prolonged decline in the fair value of an equity security below its cost is objective evidence that the security is impaired.

2. Significant accounting policies (continued)

2.14 Financial assets (continued)

(a) The accounting for financial assets before 1 January 2022 under FRS 39 are as follows: (continued)

(ii) Available-for-sale financial assets (continued)

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through the profit or loss in subsequent period.

On disposal, 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.

(b) The accounting for financial assets from 1 January 2022 under FRS 109 are as follows:

(i) Classification and measurement

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

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); 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.

2. Significant accounting policies (continued)

2.14 Financial assets (continued)

(b) The accounting for financial assets from 1 January 2022 under FRS 109 are as follows: (continued)

(i) Classification and measurement (continued)

At initial recognition

At initial recognition, the Group 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 asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

At subsequent measurement

1. 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 or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

2. 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.

The Company has elected to recognise the changes in fair value of equity investments not held for trading in other comprehensive income as these are strategic investments and the Company considered this to be more relevant. Movement in fair values of investments classified as FVOCI are presented as “fair value gain and losses” in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as “dividend income”.

2. Significant accounting policies (continued)

2.14 Financial assets (continued)

(b) The accounting for financial assets from 1 January 2022 under FRS 109 are as follows: (continued)

(ii) Impairment

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

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

For trade receivables, the Company applies the simplified approach permitted by the FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(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. Significant accounting policies (continued)

2.14 Financial assets (continued)

(b) The accounting for financial assets from 1 January 2022 under FRS 109 are as follows: (continued)

(iii) Recognition and derecognition (continued)

Trade receivables that are factored out to banks and other financial institutions with recourse to the Company are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

2.15 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.

2.16 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.

2.17 Insurance payables

Full provision is made for the estimated cost of all claims notified but not settled at the date of the balance sheet, less reinsurance recoveries, using the best information available at that date.

2.18 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. **Significant accounting policies** (continued)

2.19 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".

- 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.

2. Significant accounting policies (continued)

2.19 Leases (continued)

When the Company is the lessee (continued)

- 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.

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.

2.20 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. Significant accounting policies (continued)

2.21 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.

2.22 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.

2.23 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.

2.24 Dividends

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

2.25 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. Significant accounting policies (continued)

2.26 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.

2.27 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 entitles 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. They are regularly reviewed by the Appointed Actuary to ensure that they remain relevant and valid. As future experience is uncertain, it is appropriate to include margins to allow for possible adverse deviations in experience. Under the Risk Based Capital (“RBC”) regulations, this is achieved through an explicit margin in the policy liability - Provision for Adverse Deviation (“PAD”).

(a) Life insurance business

Actuarial assumptions used for valuation of liabilities take into account expected future market and economic conditions as well as expected lapse, expense and claim experience of different groups of policies. The data used to formulate these assumptions come from a variety of sources including review of market conditions, the Company’s internal experience with regard to its policies and broader industry experience.

The Company regularly reviews its assumptions to reflect the current best estimate assumptions. The effects on the change in liability arising from the revised assumptions have been disclosed in Note 26.

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

3.1 Assumptions underlying valuation of insurance contract liabilities (continued)

(a) Life insurance business (continued)

Sensitivity analysis

The table below indicates the impact of an estimated range of reasonable outcomes. The table demonstrates the effect of changes in key assumptions whilst other assumptions remain unchanged.

	Change in variable	Change in liability $	Change in profit $
2022			
Worsening of mortality and morbidity	Mortality & morbidity rates x 110%	**6.5m**	**(6.5m)**
Improving of mortality and morbidity	Mortality & morbidity rates x 90%	**(4.8m)**	**4.8m**
Lowering of investment returns	Investment rates -1%	**309.3m**	**(309.3m)**
Increasing of investment returns	Investment rates +1%	**(4.3m)**	**4.3m**
Worsening of base renewal expense level	Expense level x 110%	**2.6m**	**(2.6m)**
Improving of base renewal expense level	Expense level x 90%	**(2.6m)**	**2.6m**
Worsening of renewal expense inflation rate	Inflation rates +2%	**1.7m**	**(1.7m)**
Improving of renewal expense inflation rate	Inflation rates -2%	**(1.3m)**	**1.3m**
Worsening of lapse rate	Lapse rates x 110%	**(7.9m)**	**7.9m**
Improving of lapse rate	Lapse rates x 90%	**10.3m**	**(10.3m)**
Worsening claims experience	IBNR x 110%	**0.7m**	**(0.7m)**
Improving claims experience	IBNR x 90%	**(0.7m)**	**0.7m**
2021			
Worsening of mortality and morbidity	Mortality & morbidity rates x 110%	4.7m	(4.7m)
Improving of mortality and morbidity	Mortality & morbidity rates x 90%	(3.5m)	3.5m
Lowering of investment returns	Investment rates -1%	408.7m	(408.7m)
Increasing of investment returns	Investment rates +1%	(3.0m)	3.0m
Worsening of base renewal expense level	Expense level x 110%	1.8m	(1.8m)
Improving of base renewal expense level	Expense level x 90%	(1.8m)	1.8m
Worsening of renewal expense inflation rate	Inflation rates +2%	1.0m	(1.0m)
Improving of renewal expense inflation rate	Inflation rates -2%	(0.8m)	0.8m
Worsening of lapse rate	Lapse rates x 110%	(6.2m)	6.2m
Improving of lapse rate	Lapse rates x 90%	7.7m	(7.7m)
Worsening claims experience	IBNR x 110%	1.0m	(1.0m)
Improving claims experience	IBNR x 90%	(1.0m)	1.0m

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

3.1 Assumptions underlying valuation of insurance contract liabilities (continued)

(b) General insurance business

The ultimate liability arising from claims made under insurance contracts

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for claims. Estimation of the ultimate liability arising from claims is done using the actuarial techniques described below:

(i) Actuarial methodology

Various actuarial methodologies are used for forecasting Ultimate Claims Costs: Paid Chain Ladder, Incurred Chain Ladder, frequency and average cost per claim as well as user defined estimates.

The Paid Chain Ladder Method forecasts the Ultimate Claims Costs of a particular accident year by comparing the file-by-file payments of that accident year with the file-by-file payments of previous accident years as at the same length of development. It is used for short-tailed business such as motor damage claims as these claims are settled much faster.

The Incurred Chain Ladder Method forecasts the Ultimate Claims Costs of a particular accident year by comparing the file-by-file incurred claims of that accident year with the file-by-file incurred claims of previous accident years as at the same length of development. It is used for longer-tailed business such as motor bodily injury. These claims are settled slower and there might be no payments for the first two or three years.

The Company mainly writes short to medium term insurance contracts so the Paid Chain Ladder and Incurred Chain Ladder methods are usually adequate to determine the Ultimate Claims Costs. However, for more recent accident years the Chain Ladder method becomes less appropriate. In this instance a mixture of methods are applied to the more recent accident years. For classes where future development is expected to be different from historical trends or for accident years where reported claims are too low to be used as a basis, the frequency and severity method can be used. This method can be used to reflect changes in the external environment such as legislative, legal or economic changes.

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

3.1 Assumptions underlying valuation of insurance contract liabilities (continued)

(b) General insurance business (continued)

The ultimate liability arising from claims made under insurance contracts (continued)

(i) Actuarial methodology (continued)

Exceptionally large claims are analysed separately to avoid distortion from these claims. These large claims also can take into account specific reinsurance recoveries and other information from claims handlers.

These methods require the estimation of claim development assumptions, and these assumptions are chosen by looking at past claims development history and adjusted for the actuary's judgment. The actuary also considers exposures in terms of earned premiums and earned exposure years, trends in claim frequency, average claim cost and loss ratios in projecting the claims reserves. In line with Singapore regulatory requirements, a risk margin considered as the provision for adverse deviation based on 75% level of sufficiency is added on top of the best estimate of claim reserves. Additional provisions beyond stipulated regulatory requirements have been set aside for further prudence. Because lines of business are independently correlated, it is unlikely that adverse scenarios will occur for all lines at the same time. Therefore, a diversification benefit of 15% is assumed across all lines of business.

The estimation of the ultimate liability arising from claims includes a claim handling reserve which is the estimate of claims handling costs required to run-off existing claims. This claims handling expense reserve is estimated by applying an expense ratio which considers both historical trends and future projections onto the claims reserves as of the balance sheet date. The claim reserves are discounted because there are payments that are due in the future and the full claim amount does not need to be held today if investment returns are achieved. Expected payments are projected into future years and a discount rate is applied to these cash flows. The discount rate used is the yield of Singapore government bonds as at 31 December 2022.

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

3.1 Assumptions underlying valuation of insurance contract liabilities (continued)

(b) General insurance business (continued)

The ultimate liability arising from claims made under insurance contracts (continued)

(ii) Changes in assumptions

Rates used to calculate risk margins and claims handling reserves are updated each year through annual reviews. Discounting of expected future cash flows and diversification benefits on the risk margin reflect realistic claim liabilities.

The estimates of outstanding claims are subject to a degree of uncertainty, due to factors such as, inherent uncertainty of longer-tailed business, changes in claim management procedures and the extent of future claim developments.

The level of ultimate claims recorded by the Company as at 31 December 2022 is deemed adequate. Following the sale of AXA Singapore business to HSBC, motor and commercial business have ceased and been on run-off since middle of 2022. As such, the portfolio is largely health business and thus not as exposed to the risk of large claims as other companies with business weighted towards property and marine classes. The stable geographical climate of Singapore also means that it is very rare for any significant/catastrophic claims to alter the assumptions or affect the sensitivity of the ultimate losses.

The following table presents the sensitivity of the value of insurance liabilities in respect of risks exposed in the current year only. The table below presents the sensitivity of the value of net claims liabilities to movement in the assumptions used in the estimation of the net claims liabilities.

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

3.1 Assumptions underlying valuation of insurance contract liabilities (continued)

(b) General insurance business (continued)

The ultimate liability arising from claims made under insurance contracts (continued)

(ii) Changes in assumptions (continued)

	Change in assumptions	Impact on outstanding claims reserves $	Impact on profit before income tax $
2022			
Worsening claims experience	+5%	**1.9m**	**(1.9m)**
Provision for adverse deviation margin	+5%	**0.1m**	**(0.1m)**
Claims handling expenses reserves	+5%	**0.3m**	**(0.3m)**
Improving claims experience	-5%	**(1.9m)**	**1.9m**
Provision for adverse deviation margin	-5%	**(0.1m)**	**0.1m**
Claims handling expenses reserves	-5%	**(0.3m)**	**0.3m**
2021			
Worsening claims experience	+5%	9.4m	(9.4m)
Provision for adverse deviation margin	+5%	0.4m	(0.4m)
Claims handling expenses reserves	+5%	0.3m	(0.3m)
Improving claims experience	-5%	(9.4m)	9.4m
Provision for adverse deviation margin	-5%	(0.4m)	0.4m
Claims handling expenses reserves	-5%	(0.3m)	0.3m

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 110% 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 now 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-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 completed 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. 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/or 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. 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 written premiums in relation to the type of insurance risk for general insurance activities accepted by the Company:

	Gross written premium $'000	Net written premium $'000	Net loss ratio %
2022			
Lines of business			
- Motor	**36,965**	**(204,534)**	**27%**
- Accident and health	**72,743**	**63,443**	**56%**
- Commercial lines	**28,339**	**(61,104)**	**46%**
- Others	**6,278**	**(11,138)**	**29%**
	144,325	**(213,333)**	**26%**
2021			
Lines of business			
- Motor	207,437	203,992	36%
- Accident and health	70,626	62,150	58%
- Commercial lines	98,150	64,531	44%
- Others	16,508	9,835	16%
	392,721	340,508	40%

4. **Risk management** (continued)

4.2 Insurance risk management (continued)

(d) Concentrations of insurance risks (continued)

Claims development information for general insurance activities

Development and Movement of General Insurance Claim Liabilities (Gross of Reinsurance) - $000

2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
End of accident year	**281,639**	**250,037**	**265,979**	**293,058**	**245,671**	**251,663**	**172,293**	**184,459**	**150,945**	
1 year later	**283,415**	**256,951**	**265,721**	**284,218**	**249,360**	**240,038**	**161,730**	**173,557**		
2 years later	**263,693**	**227,059**	**282,544**	**293,036**	**247,866**	**232,565**	**152,406**			
3 years later	**252,377**	**217,839**	**271,473**	**286,163**	**256,057**	**228,168**				
4 years later	**240,901**	**219,818**	**267,761**	**283,844**	**249,586**					
5 years later and beyond	**235,389**	**219,022**	**265,142**	**281,181**						
Estimate of Ultimate Claims	**235,389**	**219,022**	**265,142**	**281,181**	**249,586**	**228,168**	**152,406**	**173,557**	**150,945**	**1,955,396**
Cumulative Payments	**231,182**	**218,233**	**262,664**	**275,625**	**241,038**	**216,060**	**135,013**	**129,349**	**65,732**	**1,774,896**
Estimate of Claims Liabilities	**4,207**	**789**	**2,478**	**5,556**	**8,548**	**12,108**	**17,393**	**44,208**	**85,213**	**180,500**
Estimate of Claims Liabilities of Prior Accident Years										**2,308**
Total Estimate of Claims Liabilities										**182,808**

2021

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
End of accident year	270,550	281,639	250,037	265,979	293,058	245,671	251,663	172,293	184,459	
1 year later	259,448	283,415	256,951	265,721	284,218	249,360	240,038	161,730		
2 years later	257,885	263,693	227,059	282,544	293,036	247,866	232,565			
3 years later	235,406	252,377	217,839	271,473	286,163	256,057				
4 years later	229,065	240,901	219,818	267,761	283,844					
5 years later and beyond	216,075	238,893	219,446	265,785						
Estimate of Ultimate Claims	216,075	238,893	219,446	265,785	283,844	256,057	232,565	161,730	184,459	2,058,854
Cumulative Payments	215,155	230,328	216,702	259,028	269,706	229,672	207,816	119,261	81,062	1,828,730
Estimate of Claims Liabilities	920	8,565	2,744	6,757	14,138	26,385	24,749	42,469	103,397	230,124
Estimate of Claims Liabilities of Prior Accident Years										2,702
Total Estimate of Claims Liabilities										232,826

4. **Risk management** (continued)

4.2 Insurance risk management (continued)

(d) Concentrations of insurance risks (continued)

Claims development information for general insurance activities (continued)

Development and Movement of General Insurance Claim Liabilities (Net of Reinsurance) - $000

2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
End of accident year	**253,954**	**231,488**	**233,918**	**240,777**	**221,612**	**188,995**	**151,039**	**162,693**	**55,152**	
1 year later	**264,942**	**240,924**	**231,342**	**229,351**	**223,968**	**187,405**	**142,774**	**96,917**		
2 years later	**245,283**	**210,816**	**250,784**	**236,451**	**219,808**	**182,900**	**116,780**			
3 years later	**227,399**	**201,828**	**243,166**	**238,334**	**218,288**	**164,771**				
4 years later	**214,734**	**203,640**	**241,128**	**235,815**	**200,025**					
5 years later and beyond	**209,246**	**202,963**	**235,129**	**225,456**						
Estimate of Ultimate Claims	**209,246**	**202,963**	**235,129**	**225,456**	**200,025**	**164,771**	**116,780**	**96,917**	**55,152**	**1,506,439**
Cumulative Payments	**209,146**	**202,789**	**234,742**	**224,972**	**199,102**	**163,113**	**114,659**	**91,452**	**29,428**	**1,469,403**
Estimate of Claims Liabilities	**100**	**174**	**387**	**484**	**923**	**1,658**	**2,121**	**5,465**	**25,724**	**37,036**
Estimate of Claims Liabilities of Prior Accident Years										**757**
Total Estimate of Claims Liabilities										**37,793**

2021

	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
End of accident year	234,004	253,954	231,488	233,918	240,777	221,612	188,995	151,039	162,693	
1 year later	225,855	264,942	240,924	231,342	229,351	223,968	187,405	142,774		
2 years later	220,150	245,283	210,816	250,784	236,451	219,808	182,900			
3 years later	199,470	227,399	201,828	243,166	238,334	218,288				
4 years later	194,860	214,734	203,640	241,128	235,815					
5 years later and beyond	184,875	213,603	205,008	239,953						
Estimate of Ultimate Claims	184,875	213,603	205,008	239,953	235,815	218,288	182,900	142,774	162,693	1,785,909
Cumulative Payments	184,032	208,732	202,508	233,777	223,334	195,448	161,466	107,407	71,995	1,588,699
Estimate of Claims Liabilities	843	4,871	2,500	6,176	12,481	22,840	21,434	35,367	90,698	197,210
Estimate of Claims Liabilities of Prior Accident Years										2,542
Total Estimate of Claims Liabilities										199,752

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.

4.3 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.

4. Risk management (continued)

4.3 Financial risk management (continued)

(a) Investment risk (continued)

Investment philosophy (continued)

- 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.

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.

4. Risk management (continued)

4.3 Financial risk management (continued)

(a) Investment risk (continued)

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.

Asset allocation by insurance funds:

	Participating fund	Non-participating fund	General Insurance fund
31 December 2022			
Asset class			
Bonds	71%	96%	57%
Growth assets (including equities and alternative investments)	26%	0%	27%
Cash	3%	4%	16%

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 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)

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.

(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.

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

(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.

Any changes in the interest rate would affect the value of those debt securities carried at fair value. At the balance sheet date, if SGD 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 after tax on the non-participating fund, general insurance and the shareholder fund (2021: profit after tax on the non-participating fund and the shareholder fund and on other comprehensive income after tax on the general insurance business) would have been:

	Profit after tax		Other comprehensive income after tax	
	2022	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000
Quoted debt securities				
- decreased by 100 bps	**17,713**	20,502	**-**	9,032
- increased by 100 bps	**(15,044)**	(17,061)	**-**	(8,392)

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

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

The Company is subject to some extent of 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
2022						
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 receivable	**24,746**	**-**	**-**	**-**	**-**	**24,746**
Derivative financial instruments	**26**	**1,793**	**15,279**	**-**	**42,626**	**59,724**
Insurance receivables	**-**	**-**	**-**	**-**	**105,551**	**105,551**
Other receivables	**9,005**	**-**	**-**	**-**	**26,811**	**35,816**
	247,226	**160,294**	**1,039,860**	**24,263**	**3,075,472**	**4,547,115**
Financial liabilities						
Derivative financial instruments	**-**	**-**	**21,048**	**-**	**2,911**	**23,959**
Insurance payables	**46,612**	**-**	**-**	**-**	**102,018**	**148,630**
Income tax payable	**-**	**-**	**-**	**-**	**1,657**	**1,657**
Amount due to related companies	**-**	**-**	**-**	**-**	**29,726**	**29,726**
Other payables and accrued expenses	**11,637**	**-**	**-**	**-**	**231,071**	**242,708**
	58,249	**-**	**21,048**	**-**	**367,383**	**446,680**

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
2021						
Financial assets						
Cash and cash equivalents	145,325	-	-	-	-	145,325
Financial assets, at fair value through profit and loss	11,101	108,817	1,192,141	16,136	3,348,725	4,676,920
Available-for-sale financial assets	28,206	179,388	85,167	59,316	50,813	402,890
Loans receivable	23,871	-	-	-	-	23,871
Derivative financial instruments	125	512	2,549	-	2,207	5,393
Insurance receivables	-	-	-	-	151,855	151,855
Other receivables	11,713	-	-	-	30,900	42,613
	220,341	288,717	1,279,857	75,452	3,584,500	5,448,867
Financial liabilities						
Derivative financial instruments	-	-	12,746	-	40,353	53,099
Insurance payables	43,232	-	-	-	82,518	125,750
Income tax payable	-	-	-	-	1,954	1,954
Other payables and accrued expenses	981	-	-	-	228,327	229,308
Borrowings	3,051	66	-	-	-	3,117
	47,264	66	12,746	-	353,152	413,228

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 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, except for general insurance activities when the investments were reclassified from AFS financial assets to FVPL on adoption of FRS 109.

For general insurance activities, 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 profit after tax in 2022 and fair value reserve and other comprehensive income in 2021 would have been:

	Increase by 10% $'000	Decrease by 10% $'000
2022		
Profit after tax	**2**	**(2)**
2021		
Fair value reserve	1,439	(1,439)
Deferred tax liability	295	(295)

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
2022			
Financial assets			
Cash and cash equivalents	**5,355**	**12,359**	**268**
Financial assets, at fair value through profit or loss	**100,497**	**792,666**	**75,093**
Derivative financial instruments	**632**	**170**	**-**
Insurance receivables	**137**	**1,786**	**-**
Other receivables	**76**	**9,537**	**37**
Total financial assets	**106,697**	**816,518**	**75,398**
Financial liabilities			
Derivative financial instruments	**409**	**-**	**-**
Insurance contract liabilities	**-**	**10,221**	**-**
Insurance payables	**12**	**5,576**	**-**
Other payables	**-**	**11,637**	**-**
Total financial liabilities	**421**	**27,434**	**-**
Net financial assets	**106,276**	**789,084**	**75,398**
Less: Net currency forwards	**(78,199)**	**(397,355)**	**(1,314)**
Less: Net currency swaps	**-**	**(300,024)**	**-**
Currency exposures	**28,077**	**91,705**	**74,084**

4. Risk management (continued)

4.3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Foreign exchange risk (continued)

$'000	EUR	USD	GBP
2021			
Financial assets			
Cash and cash equivalents	8,342	46,358	985
Financial assets, at fair value through profit or loss	182,745	747,866	9,021
Available-for-sale financial assets	45,673	261,350	5,559
Derivative financial instruments	1,638	502	-
Insurance receivables	13,877	-	-
Other receivables	541	10,564	253
Total financial assets	252,816	1,066,640	15,818
Financial liabilities			
Insurance payables	-	49,166	-
Other payables	-	981	-
Total financial liabilities	-	50,147	-
Net financial assets	252,816	1,016,493	15,818
Less: Net currency forwards	(206,252)	(762,687)	(15,125)
Less: Net currency swaps	(33,149)	(255,860)	-
Currency exposures	13,415	(2,054)	693

If the foreign currencies change against the SGD by 5% (2021: 5%) with all other variables, including the tax rate, being held constant, the effects on profit and other comprehensive income after tax arising from the net financial asset/liability position will be as follows:

	2022 **$'000**	2021 $'000
EUR against SGD		
- strengthened	**1,404**	671
- weakened	**(1,404)**	(671)
USD against SGD		
- strengthened	**4,585**	(103)
- weakened	**(4,585)**	103
GBP against SGD		
- strengthened	**3,704**	35
- weakened	**(3,704)**	(35)

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, insurance receivables and cash and cash equivalents.

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. As such corresponding financial assets and liabilities have been excluded from the disclosures below.

The tables below show the maximum exposure to credit risk by classifying financial assets according to the credit ratings of counterparties.

	Investment grade* (AAA to BBB-) $'000	Not rated $'000	Total $'000
2022			
Cash and cash equivalents	**183,254**	**-**	**183,254**
Insurance and other receivables	**55,424**	**90,813**	**146,237**
Financial assets, at fair value through profit or loss	**1,123,837**	**126,187**	**1,250,024**
Loans receivable	**-**	**24,746**	**24,746**
Derivative financial instruments	**59,724**	**-**	**59,724**
	1,422,239	**241,746**	**1,663,985**
2021			
Cash and cash equivalents	145,325	-	145,325
Insurance and other receivables	40,519	158,902	199,421
Financial assets, at fair value through profit or loss	1,263,138	65,057	1,328,195
Available-for-sale financial assets	339,968	12,108	352,076
Loans receivable	-	23,871	23,871
Derivative financial instruments	5,393	-	5,393
	1,794,343	259,938	2,054,281

* *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 insurance 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

The Company has the following financial assets that are subject to more than immaterial credit losses where the expected credit loss model has been applied:

		Past due but partially impaired			
	Not due up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	$'000	$'000	$'000	$'000	$'000
2022					
Insurance receivables					
- Life insurance	**28,384**	**882**	**3,442**	**148**	**32,856**
- General insurance	**27,791**	**9,134**	**33,124**	**2,646**	**72,695**
	56,175	**10,016**	**36,566**	**2,794**	**105,551**

4. **Risk management** (continued)

4.3 Financial risk management (continued)

(c) Credit risk (continued)

Impairment of financial assets (continued)

The Company's credit risk exposure in relation to trade receivables under FRS 39 as at 31 December 2021 are set out as follows:

		Past due but partially impaired			
	Not due up to 3 months	3 to 6 months	6 to 12 months	More than 12 months	Total
	$'000	$'000	$'000	$'000	$'000
2021					
Insurance receivables					
- Life insurance	23,115	1,358	5,427	1,748	31,648
- General insurance	68,831	17,841	23,997	9,538	120,207
	91,946	19,199	29,424	11,286	151,855

In 2021, 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.

There was no significant change in credit loss allowance for financial assets as at 31 December 2021 upon adoption of FRS 109.

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

	Financial assets at amortised cost	Total
	$'000	$'000
Balance as at 31 December 2021	4,953	4,953
Adoption of FRS 109	-	-
Balance as at 1 January 2022	4,953	4,953
Movement in allowance recognised in profit or loss during the year on:		
- Asset acquired/originated	6,354	6,354
- Reversal of unutilised amount	(6,437)	(6,437)
	(83)	(83)
Balance as at 31 December 2022	4,870	4,870

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 DPF 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
2022				
Insurance payables	**148,630**	**-**	**-**	**148,630**
Other payables	**242,708**	**-**	**-**	**242,708**
Amount due to related companies	**29,726**	**-**	**-**	**29,726**
Derivative financial instruments	**2,502**	**409**	**21,048**	**23,959**
Insurance contract liabilities	**520,369**	**2,084,378**	**16,703,540**	**19,308,287**
Outstanding claims reserves	**101,523**	**84,074**	**6,341**	**191,938**
	1,045,458	**2,168,861**	**16,730,929**	**19,945,248**
2021				
Insurance payables	125,750	-	-	125,750
Other payables	229,276	-	-	229,276
Amount due to related companies	32	-	-	32
Derivative financial instruments	40,518	-	12,581	53,099
Insurance contract liabilities	517,041	2,046,925	15,998,909	18,562,875
Outstanding claims reserves	138,088	103,122	6,723	247,933
	1,050,705	2,150,047	16,018,213	19,218,965

(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 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2022				
Assets				
Financial assets, at fair value through profit or loss	**1,077,264**	**427,429**	**120,636**	**1,625,329**
Derivative financial instruments	**-**	**59,724**	**-**	**59,724**
Total assets	**1,077,264**	**487,153**	**120,636**	**1,685,053**
Liabilities				
Derivative financial instruments	**-**	**(23,959)**	**-**	**(23,959)**
Total liabilities	**-**	**(23,959)**	**-**	**(23,959)**
2021				
Assets				
Financial assets, at fair value through profit or loss	1,245,790	540,050	23,164	1,809,004
Available-for-sale financial instruments	230,139	144,649	28,102	402,890
Derivative financial instruments	-	5,393	-	5,393
Total assets	1,475,929	690,092	51,266	2,217,287
Liabilities				
Derivative financial instruments	-	(53,099)	-	(53,099)
Total liabilities	-	(53,099)	-	(53,099)

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 valuation from the fund managers, the referred team runs independent price verification for the securities for which market data is available. Any reasons of variance 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 ("CFO") & chief investment officer ("CIO") 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).

Valuation of private equity funds was based on net asset value reports as at 30 September 2022, adjusted for the net cash flow movements from 1 October 2022 until 31 December 2022.

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:

	2022 $'000	2021 $'000
Beginning of financial year	**51,266**	79,937
Purchases/(sales), net of return on excess capital	**10,096**	(16,365)
Transfer in from Level 1	**21**	-
Transfer in from Level 2	**57,053**	-
Net gain/(loss) recognised in profit or loss	**2,200**	(12,306)
End of financial year	**120,636**	51,266

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

Description	Fair Value at 31 December 2022	Valuation technique	Unobservable inputs	Reasonable possible shift +/-	Change in valuation
	$'000				$'000
Private equity funds	**$120,615** (2021: $51,266)	NAV - Adjusted	NAV and Fair Value Adjustments	+/- 5%	**+/- $6,031** (2021: +/- $2,563)
Unquoted shares	**$21** (2021: $0)	NAV - Adjusted	NAV and Fair Value Adjustments	+/- 5%	**+/- $1** (2021: +/- $0)

Financial instruments by category

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

	2022 $'000
Financial assets	
Fair value through profit and loss	**4,197,748**
Amortised cost	**349,367**
Total	**4,547,115**
Financial liabilities	
Fair value through profit and loss	**23,959**
Amortised cost	**422,721**
Total	**446,680**

4. Risk management (continued)

4.3 Financial risk management (continued)

(e) Fair value measurements (continued)

Financial instruments by category (continued)

	2021 $'000
Financial assets	
Fair value through profit and loss	4,682,313
Available-for-sale financial assets	402,890
Loans and receivables	363,664
Total	5,448,867
Financial liabilities	
Fair value through profit and loss	53,099
Amortised cost	360,129
Total	413,228

(f) Financial instruments subject to enforceable master netting arrangements

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

$'000	(a)	(b)	(c) = (a) - (b)	(d)		(e) = (c) – (d)
	Amounts set off in the balance sheet			Amounts not set off in the balance sheet		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - presented in the balance sheet	(d)(i) Financial instruments	(d)(ii) Financial collaterals received	Net amount
2022						
Insurance receivables						
- General insurance	**90,780**	**18,085**	**72,695**	**-**	**-**	**72,695**
Derivatives	**59,724**	**-**	**59,724**	**23,959**	**23,874**	**11,891**
- Related party	**30,020**	**-**	**30,020**	**11,814**	**12,237**	**5,969**
- Third party	**29,704**	**-**	**29,704**	**12,145**	**11,637**	**5,922**
2021						
Insurance receivables						
- General insurance	383,501	263,294	120,207	-	-	120,207
Derivatives	9,681	4,288	5,393	-	981	4,412

4. Risk management (continued)

4.3 Financial risk management (continued)

(f) Financial instruments subject to enforceable master netting arrangements

Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

$'000	(a)	(b)	(c) = (a) - (b)	(d)		(e) = (c) – (d)
	Amounts set off in the balance sheet			Amounts not set off in the balance sheet		
	Gross amounts - financial liabilities	Gross amounts - financial assets	Net amounts - presented in the balance sheet	(d)(i) Financial instruments	(d)(ii) Financial collaterals pledged	Net amount
2022						
Insurance payables						
- General insurance	**(61,029)**	**(18,085)**	**(42,944)**	**-**	**-**	**(42,944)**
Derivatives	**(23,959)**	**-**	**(23,959)**	**(23,959)**	**-**	**-**
- Related party	**(11,814)**	**-**	**(11,814)**	**(11,814)**	**-**	**-**
- Third party	**(12,145)**	**-**	**(12,145)**	**(12,145)**	**-**	**-**
2021						
Insurance payables						
- General insurance	(295,568)	(263,294)	(32,274)	-	-	(32,274)
Derivatives	(57,387)	(4,288)	(53,099)	-	(53,099)	-

5. Net written premiums

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Gross written premiums	**712,748**	677,940	**144,325**	392,721	**857,073**	1,070,661
Less: Premiums ceded to reinsurers	**(68,158)**	(63,700)	**(357,658)**	(52,213)	**(425,816)**	(115,913)
Net written premiums	**644,590**	614,240	**(213,333)**	340,508	**431,257**	954,748

6. Fee and commission income

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Fee income	**68,775**	70,555	**-**	-	**68,775**	70,555
Commission income	**4,717**	5,713	**10,819**	12,198	**15,536**	17,911
	73,492	76,268	**10,819**	12,198	**84,311**	88,466

Fee income includes fees from policy administration, asset management services and surrender charges.

7. Investment (loss)/income

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Dividend income	**9,763**	14,458	**715**	1,192	**10,478**	15,650
Interest income						
- Debt securities	**37,354**	29,429	**4,635**	9,202	**41,989**	38,631
- Bank deposits	**360**	46	**119**	33	**479**	79
- Loans to policyholders	**1,564**	1,555	**-**	-	**1,564**	1,555
- Swaps	**-**	330	**-**	-	**-**	330
Net realised (losses)/gains on financial instruments at FVPL	**(125,536)**	82,525	**(8,709)**	11,567	**(134,245)**	94,092
Fair value losses on remeasurement of financial instruments at FVPL	**(383,623)**	(171,309)	**(7,996)**	(10,093)	**(391,619)**	(181,402)
Net realised losses on AFS financial assets (Note 32)	**-**	-	**-**	(176)	**-**	(176)
	(460,118)	(42,966)	**(11,236)**	11,725	**(471,354)**	(31,241)

8. Net claims and policy benefits

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Gross claims paid, surrenders and annuities	**353,648**	385,460	**163,557**	183,752	**517,205**	569,212
Less: Reinsurers' share of claims paid, surrenders and annuities	**(46,785)**	(50,265)	**(96,950)**	(36,637)	**(143,735)**	(86,902)
Net claims and policy benefits	**306,863**	335,195	**66,607**	147,115	**373,470**	482,310

9. Commission and distribution expenses

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Commission expenses	**137,086**	131,838	**21,176**	61,604	**158,262**	193,442
Other distribution expenses	**19,686**	18,898	**8,632**	18,347	**28,318**	37,245
	156,772	150,736	**29,808**	79,951	**186,580**	230,687

10. Employee compensation

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Wages and salaries	**30,922**	35,549	**31,893**	35,582	**62,815**	71,131
Employer's contribution to defined contribution plans	**3,371**	3,407	**3,299**	3,759	**6,670**	7,166
Other staff benefits	**2,834**	3,319	**2,955**	3,623	**5,789**	6,942
Share-based compensation	**3,088**	1,589	**-**	1,638	**3,088**	3,227
Government grant - Job support scheme	**-**	(2,336)	**-**	(2,392)	**-**	(4,728)
Government grant - Wage credit scheme	**(246)**	(293)	**(222)**	(301)	**(468)**	(594)
Government grant - Jobs Growth Incentive	**(454)**	-	**(411)**	-	**(865)**	-
	39,515	41,235	**37,514**	41,909	**77,029**	83,144

The Jobs Support Scheme ("JSS") is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees during the period of economic uncertainty due to the COVID-19 pandemic. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees for the months of October 2019 to December 2020.

The Wage Credit Scheme is a scheme that was introduced in the Singapore Budget 2013 (extended in Budget 2015 and 2018 and enhanced in Budget 2020) to help business costs in a tight labour market. The wage credit will be paid to eligible employers for wages increases between 2019 and 2020.

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).

11. Management expenses

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Information technology and other project costs	**15,348**	18,839	**6,505**	10,489	**21,853**	29,328
Amortisation of intangible assets	**14,619**	14,273	**5,888**	6,043	**20,507**	20,316
Depreciation	**2,751**	6,801	**1,259**	3,689	**4,010**	10,490
Management and service fees	**4,637**	5,030	**2,614**	3,293	**7,251**	8,323
Rental and office related expenses	**7,653**	1,016	**1,962**	1,167	**9,615**	2,183
Printing and stationery	**118**	229	**44**	113	**162**	342
Legal and professional fees	**6,601**	2,652	**1,023**	884	**7,624**	3,536
Advertisements	**745**	863	**387**	505	**1,132**	1,368
Integration expenses	**37,306**	-	**-**	-	**37,306**	-
Other expenses	**699**	5,248	**1,602**	1,127	**2,301**	6,375
	90,477	54,951	**21,284**	27,310	**111,761**	82,261

12. Investment expense

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Investment management fees	**6,228**	6,291	**45**	568	**6,273**	6,859
Brokerage and custodian fees	**338**	391	**55**	69	**393**	460
	6,566	6,682	**100**	637	**6,666**	7,319

13. Other expenses

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Bonus units	**18,973**	14,003	**-**	-	**18,973**	14,003
Net foreign exchange loss	**592**	276	**566**	2,060	**1,158**	2,336
Loss on disposals of property and equipment	**1**	-	**4**	-	**5**	-
Impairment/write-off of intangible assets	**23,243**	-	**-**	-	**23,243**	-
Restructuring expenses	**10,832**	-	**-**	-	**10,832**	-
Others	**1,286**	2,431	**450**	896	**1,736**	3,327
	54,927	16,710	**1,020**	2,956	**55,947**	19,666

14. Income taxes

(a) Income tax expense

	2022	2021
	$'000	$'000
Tax expense attributable to profit is made up of:		
- Current income tax	**2,037**	1,695
- Foreign tax deducted at source	**254**	-
- Deferred income tax	**(3,090)**	(10,547)
(Over)/under provision in prior years		
- Current income tax	**(463)**	162
Tax (credit)	**(1,262)**	(8,690)

14. Income taxes (continued)

(a) Income tax expense (continued)

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

	2022 $'000	2021 $'000
(Loss)/profit before tax	**(338,990)**	2,112
Tax calculated at a tax rate of 17% (2021: 17%)	**(57,628)**	359
Effects of:		
- expenses not deductible for tax purposes	**11,273**	4,026
- income not subject to tax	**(564)**	(2,182)
- loss/(income) taxed at different rates	**79**	(240)
- foreign tax deducted at source	**254**	-
- difference in tax treatment in Par fund	**24,770**	6,754
- deferred tax on undistributed surplus	**(3,090)**	(10,547)
- current year losses for which no deferred tax asset was recognised	**24,107**	23
- under/(over) provision in prior years	**(463)**	162
- movement in recognised deferred tax asset on prior years' tax losses	**-**	926
- utilisation of previously unrecognised tax losses	**-**	(7,971)
Tax charge/(credit)	**(1,262)**	(8,690)

(b) Movement in current income tax liabilities

	2022 $'000	2021 $'000
Beginning of financial year	**1,954**	1,143
Income tax paid	**(1,871)**	(1,046)
Tax payable on profit for current year	**2,037**	1,695
(Over)/under provision in prior years	**(463)**	162
End of financial year	**1,657**	1,954

14. Income taxes (continued)

(c) Deferred income tax

	2022 **$'000**	2021 $'000
Beginning of financial year	**(93,034)**	(104,946)
Adoption of FRS 109 (Note 2.1)	**1,114**	-
Balance after adoption of FRS 109	**(91,920)**	(104,946)
Tax credited to:		
- profit or loss (Note 14(a))	**3,090**	10,547
- equity (Note 32)	**-**	1,365
End of financial year	**(88,830)**	(93,034)

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. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2022 **$'000**	2021 $'000
Deferred tax assets	**4,267**	4,434
Deferred tax liabilities	**(93,097)**	(97,468)
End of financial year	**(88,830)**	(93,034)

Deferred income tax assets/(liabilities) net to be recovered/(settled) within one year and after one year from balance sheet date are as follows:

	2022 **$'000**	2021 $'000
To be settled within one year	**-**	-
To be settled after one year	**(88,830)**	(93,034)
	(88,830)	(93,034)

14. **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	Other $'000	Tax losses $'000	Total $'000
2022					
Beginning of financial year	**2,070**	**117**	**367**	**1,880**	**4,434**
Credited/(charged) to					
Profit or loss					
- Current year	**(2,070)**	**(117)**	**(367)**	**2,387**	**(167)**
End of financial year	**-**	**-**	**-**	**4,267**	**4,267**
2021					
Beginning of financial year	1,057	117	367	2,806	4,347
Credited/(charged) to					
Profit or loss					
- Current year	1,013	-	-	(926)	87
End of financial year	2,070	117	367	1,880	4,434

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

	Non-guaranteed benefits $'000	Fair value gains $'000	Lease liabilities $'000	Total $'000
2022				
Beginning of financial year	**(96,187)**	**(1,114)**	**(167)**	**(97,468)**
Adoption of FRS 109 (Note 2.1)	**-**	**1,114**	**-**	**1,114**
Credited to				
Profit or loss				
- Current year	**3,090**	**-**	**167**	**3,257**
End of financial year	**(93,097)**	**-**	**-**	**(93,097)**
2021				
Beginning of financial year	(106,734)	(2,479)	(80)	(109,293)
Credited/(charged) to				
Profit or loss				
- Current year	10,547	-	(87)	10,460
Equity	-	1,365	-	1,365
End of financial year	(96,187)	(1,114)	(167)	(97,468)

Deferred tax liabilities are recognised for tax arising from the non-guaranteed benefits in the participating fund. These non-guaranteed benefits, when declared in the future as distributable bonus, will be subject to tax by the tax authority.

14. Income taxes (continued)

(c) Deferred income tax (continued)

Subject to the agreement of the Comptroller of Income Tax, the Company has tax losses carried forward of $533,913,804 (2021: $382,693,851) which are available for offsetting against future taxable income. 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 on 11 February 2022, 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, to be set off against the Company's future taxable income. This is currently pending the tax authority's approval.

15. Intangible assets

	Goodwill	Post-assurance	Bancassurance	Computer software	Total
	$'000	$'000	$'000	$'000	$'000
2022					
Costs					
Beginning of financial year	**17,067**	**86,446**	**4,886**	**87,641**	**196,040**
Additions	**-**	**-**	**-**	**41,498**	**41,498**
Disposals/retirement	**-**	**-**	**(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/retirement	**-**	**-**	**(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**

15. Intangible assets (continued)

	Goodwill	Post-assurance	Bancassurance	Computer software	Total
	$'000	$'000	$'000	$'000	$'000
2021					
Costs					
Beginning of financial year	17,067	86,446	4,886	70,198	178,597
Additions	-	-	-	17,443	17,443
End of financial year	17,067	86,446	4,886	87,641	196,040
Accumulated amortisation					
Beginning of financial year	-	41,485	3,990	38,330	83,805
Amortisation charge	-	4,607	490	15,219	20,316
End of financial year	-	46,092	4,480	53,549	104,121
Accumulated impairment					
Beginning of financial year	-	3,493	-	-	3,493
Impairment charge	-	-	-	-	
End of financial year	-	3,493	-	-	3,493
Net Book Value					
End of financial year	17,067	36,861	406	34,092	88,426

Bancassurance is an arrangement with a related party.

16. Property and equipment

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Leasehold buildings	Total
	$'000	$'000	$'000	$'000	$'000
2022					
Costs					
Beginning of financial year	**20,627**	**6,253**	**1,998**	**25,526**	**54,404**
Disposals	**(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**
Disposals	**(20,627)**	**(6,253)**	**(1,998)**	**(25,367)**	**(54,245)**
End of financial year	**-**	**-**	**-**	**-**	**-**
Net Book Value					
End of financial year	**-**	**-**	**-**	**-**	**-**

16. Property and equipment (continued)

	Leasehold improvements $'000	Furniture, fixtures and office equipment $'000	Computers $'000	Leasehold buildings $'000	Motor vehicle $'000	Total $'000
2021						
Costs						
Beginning of financial year	20,627	6,253	1,998	27,660	83	56,621
Additions	-	-	-	225	-	225
Modification of lease	-	-	-	(1,666)	-	(1,666)
Transfers from work in progress	-	-	-		-	-
Disposals	-	-	-	(693)	(83)	(776)
End of financial year	20,627	6,253	1,998	25,526	-	54,404
Accumulated depreciation						
Beginning of financial year	18,242	5,687	1,997	14,540	55	40,521
Depreciation charge	1,603	370	1	8,488	28	10,490
Disposals	-	-	-	(693)	(83)	(776)
End of financial year	19,845	6,057	1,998	22,335	-	50,235
Net Book Value						
End of financial year	782	196	-	3,191	-	4,169

In 2021, the Company renegotiated and modified an existing lease contract for office space by shortening the lease term by 3 months. As this change is not part of the terms and conditions of the original lease contract, it is accounted for as a lease modification to the ROU assets classified under 'Property and equipment'. The corresponding remeasurement to lease liability is recorded under 'Borrowings'.

17. 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 have ended in 2022.

17. Leases (continued)

The Company as a lessee (continued)

(a) Carrying amounts

ROU assets classified within Property and equipment

	2022 $'000	2021 $'000
Leasehold buildings	**-**	3,191

(b) Depreciation charge during the year

	2022 $'000	2021 $'000
Leasehold buildings	**3,032**	8,488
Motor vehicles	**-**	28
Total	**3,032**	8,516

(c) Interest expense

	2022 $'000	2021 $'000
Interest expense on lease liabilities	**30**	226

(d) Total cash outflow for all leases that are capitalised as ROU assets in 2022 was $2,986,883 (2021: $9,160,415).

(e) Addition of ROU assets during the financial year 2022 was nil (2021: $225,082).

(f) Future cash outflow which are not capitalised in lease liabilities include:

The Company as a lessor – subleases

Nature of the Company's leasing activities – Company as an intermediate lessor

The Company acts as an intermediate lessor under arrangement in which it subleases out the office space to related parties for monthly lease payments. All sub-leases were terminated in 2022. Income from subleasing the office space recognised during the financial year 2022 was nil (2021: $452,365).

18. Loans receivable

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Loans to policyholders	**24,372**	23,245	**-**	-	**24,372**	23,245
Loans to agents	**374**	449	**-**	-	**374**	449
Loans to staff	**-**	177	**-**	-	**-**	177
Total	**24,746**	23,871	**-**	-	**24,746**	23,871

Loans to policyholders are secured by the cash value of the life policy and bear interest at 6.75% (2021: 6.75%) per annum. Loans to policyholders have no fixed terms of repayment, as the expected repayment dates cannot be reliably determined. Loans to agents and to staff are unsecured, interest free and repayable in full by 31 December 2022.

19. Derivative financial instruments

	Contractual notional amount	Fair values	
		Assets	Liabilities
	$'000	$'000	$'000
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)**
2021			
Forward contracts	1,547,542	67	(40,353)
Swaps	455,721	5,326	(12,746)
Total		5,393	(53,099)

At 31 December 2022, the Company has pledged debt securities with carrying value of $0.1 million (2021: $70.0 million) for liabilities in respect of derivative transactions (Note 21) and received debt securities with market value of $12.3 million (2021: nil) for assets in respect of derivative transactions. All of these pledged and received debt securities as at 31 December 2022 are with related parties.

20. Available-for-sale financial assets

Available-for-sale financial assets are analysed as follows:

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current						
Debt securities, quoted	**-**	-	**-**	28,206	**-**	28,206
Non-current						
Debt securities, quoted	**-**	-	**-**	323,871	**-**	323,871
Investment funds	**-**	-	**-**	50,813	**-**	50,813
	-	-	**-**	374,684	**-**	374,684
Total	**-**	-	**-**	402,890	**-**	402,890

All available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss on adoption of FRS 109 (Note 2.1).

In 2021, the investments in quoted debt securities have interest rates ranging from 0.125% to 10.625% per annum.

21. Financial assets, at fair value through profit or loss

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Current						
Debt securities, quoted	**17,575**	11,100	**12,620**	-	**30,195**	11,100
Non-current						
Debt securities, quoted	**1,164,536**	1,317,095	**42,809**	-	**1,207,345**	1,317,095
Equity securities, quoted	**-**	357,184	**-**	-	**-**	357,184
Equity securities, unquoted	**-**	-	**21**	-	**21**	-
Private equity funds	**93,279**	95,473	**27,336**	-	**120,615**	95,473
Investment funds	**2,779,848**	2,896,068	**-**	-	**2,779,848**	2,896,068
	4,037,663	4,665,820	**70,166**	-	**4,107,829**	4,665,820
Total	**4,055,238**	4,676,920	**82,786**	-	**4,138,024**	4,676,920

All available-for-sale financial assets with carrying amount of $402.9 million as at 31 December 2021 were reclassified to financial assets at fair value through profit or loss on adoption of FRS 109 (Note 2.1).

The investments in quoted debt securities have interest rates ranging from 0.000% to 8.875% (2021: 0.500% to 8.875%) per annum.

Debt securities with carrying value of $0.08 million (2021: $70.0 million) have been pledged to counterparties in respect of derivative transactions (Note 19).

22. Amount due from/(to) related companies

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Amount due from related companies	**-**	-	**-**	-	**-**	-
Amount due to related companies	**(29,726)**	-	**-**	-	**(29,726)**	-
	(29,726)	-	**-**	-	**(29,726)**	-

The amounts due from AXA entities of $259k and due to AXA entities of $32k have been reclassified to "Other receivables" and "Other payables and accrued expenses", respectively, to better reflect comparability as the amounts reported in 2022 are relating to amounts due to and from HSBC group of companies.

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.

23. Other receivables

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Cash collaterals pledged	**-**	-	**9,005**	11,713	**9,005**	11,713
Investment receivables	**14,176**	15,779	**584**	2,810	**14,760**	18,589
Other deposits and sundry receivables	**11,981**	10,931	**70**	1,380	**12,051**	12,311
Prepayments	**24,082**	18,358	**100**	128	**24,182**	18,486
	50,239	45,068	**9,759**	16,031	**59,998**	61,099

Cash collaterals pledged have a weighted average rate of 2.74% (2021: 0.46%) per annum.

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

Life insurance fund includes prepayments, deposits and other receivables of the shareholders' fund amounting to $26,152,624 (2021: $21,235,549).

The amount due from AXA entities of $259k has been reclassified from "Amount due from related companies" to better reflect comparability as the amount reported in 2022 is relating to amount due from HSBC group of companies (Note 22).

24. Insurance receivables

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Amounts due from insured, agents, brokers, and reinsurers						
- Third parties	**33,417**	32,142	**77,004**	124,666	**110,421**	156,808
Less: Allowance for impairment of receivables (Note 4.3(c))						
- Third parties	**(561)**	(494)	**(4,309)**	(4,459)	**(4,870)**	(4,953)
Total	**32,856**	31,648	**72,695**	120,207	**105,551**	151,855

Concentration of credit risk with respect to receivables is limited due to the Company's large number of customers.

The carrying amounts due from insured, agents, brokers and reinsurers approximate their fair values.

25. Cash and cash equivalents

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Short-term bank deposits	**39,150**	-	**14,795**	11,120	**53,945**	11,120
Cash at bank and on hand	**102,495**	72,098	**26,814**	62,107	**129,309**	134,205
	141,645	72,098	**41,609**	73,227	**183,254**	145,325

Short-term bank deposits bear interest rates of 1.92% (2021: 0.39%) per annum and have an average maturity of 3 days (2021: 73 days) from the end of the financial year.

Included in cash at bank and on hand are bank deposits amounting to $11,636,559 (2021: $981,426) 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 $84,822 (2021: $628,995).

26. Insurance contract liabilities

	2022	2021
	$'000	$'000
Gross		
Gross outstanding claims reserves		
- General insurance	**182,808**	232,826
Gross unearned premium reserves (net of DAC)		
- General insurance	**84,289**	183,499
Gross insurance contract liabilities		
- Life insurance	**2,698,556**	2,844,548
Total insurance liabilities - gross	**2,965,653**	3,260,873
Recoverable from reinsurers		
Reinsurers' share of outstanding claims reserves		
- General insurance	**145,015**	33,074
Unearned premium reserves (net of DAC) on reinsurance ceded - General insurance	**35,166**	21,458
Reinsurers' share of insurance contract liabilities		
- Life insurance	**(32,542)**	(34,300)
Total reinsurers' share of insurance liabilities	**147,639**	20,232
Net		
Net outstanding claims reserves - General insurance	**37,793**	199,752
Net unearned premium reserves (net of DAC)		
- General insurance	**49,123**	162,041
Net insurance contract liabilities - Life insurance	**2,731,098**	2,878,848
Total insurance liabilities - net	**2,818,014**	3,240,641

(a) Movements in insurance contract liabilities and reinsurance assets for general insurance business

(i) Outstanding claims reserves

	Gross	Reinsurance	Net
	$'000	$'000	$'000
2022			
Beginning of financial year	**232,826**	**(33,074)**	**199,752**
Claims incurred during the financial year	**112,545**	**(208,977)**	**(96,432)**
Cash paid for claims settled during the financial year (Note 8)	**(163,557)**	**96,950**	**(66,607)**
Net exchange difference	**994**	**86**	**1,080**
Total at end of financial year	**182,808**	**(145,015)**	**37,793**

26. Insurance contract liabilities (continued)

(a) Movements in insurance contract liabilities and reinsurance assets for general insurance business (continued)

(ii) Outstanding claims reserves (continued)

	Gross $'000	Reinsurance $'000	Net $'000
2021			
Beginning of financial year	240,580	(45,528)	195,052
Claims incurred during the financial year	176,115	(23,943)	152,172
Cash paid for claims settled during the financial year (Note 8)	(183,752)	36,637	(147,115)
Net exchange difference	(117)	(240)	(357)
Total at end of financial year	232,826	(33,074)	199,752

(iii) Unearned premium reserves (net of DAC)

	Gross $'000	Reinsurance $'000	Net $'000
2022			
Beginning of financial year	**183,499**	**(21,458)**	**162,041**
Change in unearned premium reserves	**(99,210)**	**(13,708)**	**(112,918)**
Total at end of financial year	**84,289**	**(35,166)**	**49,123**
2021			
Beginning of financial year	149,380	(19,958)	129,422
Change in unearned premium reserves	34,119	(1,500)	32,619
Total at end of financial year	183,499	(21,458)	162,041

26. Insurance contract liabilities (continued)

(b) Movement in insurance contract liabilities for life insurance business

	2022 **$'000**	2021 $'000
Beginning of financial year	**2,878,848**	2,806,101
Valuation premium received	**645,517**	617,086
Liabilities released for claims	**(307,438)**	(334,721)
Accretion of interest	**67,212**	61,717
Investment gains/(losses)	**(304,605)**	(182,585)
Deduction for expenses and commission	**(231,715)**	(234,449)
Net fees added to account balances	**52,041**	60,826
Changes in unit prices	**(228,695)**	72,178
Changes in assumptions	**7,033**	(772)
Other movements	**152,900**	13,467
End of financial year	**2,731,098**	2,878,848

27. Investment contract liabilities

The movement in investment contract liabilities for life insurance business is as follows:

	2022 **$'000**	2021 $'000
Beginning of financial year	**1,180,234**	1,046,580
Valuation premium received	**149,693**	169,987
Liabilities released for claims	**(65,988)**	(106,360)
Net fees deducted from account balances	**(918)**	(1,160)
Changes in unit prices	**(250,535)**	71,187
End of financial year	**1,012,486**	1,180,234

28. Other payables and accrued expenses

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Commission and compensation payables	**53,780**	46,974	**24,723**	28,133	**78,503**	75,107
Premium deposits and advance premiums	**5,505**	5,798	**-**	-	**5,505**	5,798
Cash collaterals	**11,637**	981	**-**	-	**11,637**	981
Investment payables	**5,319**	6,862	**109**	444	**5,428**	7,306
Accrued staff related costs	**19,648**	21,401	**2**	-	**19,650**	21,401
Accrued operating expenses	**83,393**	73,421	**5,781**	16,828	**89,174**	90,249
Others	**19,617**	12,924	**13,194**	15,542	**32,811**	28,466
Total	**198,899**	168,361	**43,809**	60,947	**242,708**	229,308

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

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

The amount due to AXA entities of $32k has been reclassified from "Amount due to related companies" to better reflect comparability as the amount reported in 2022 is relating to amount due to HSBC group of companies (Note 22).

29. Insurance payables

	Life Insurance		General Insurance		Total	
	2022	2021	**2022**	2021	**2022**	2021
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Amounts due to insured, agents, brokers and reinsurers	**105,686**	93,476	**42,944**	32,274	**148,630**	125,750

Insurance payables include policy benefits of $46,612,400 (2021: $43,232,289) recognised in the financial statements when policyholders exercise the option to deposit the benefits with the Company when the benefits fall due. Policy benefits are payable on demand and bear interest at 2.25% (2021: 2.25%) per annum.

30. Borrowings

	2022 $'000	2021 $'000
Current		
Lease liabilities	**-**	3,051
Non-current		
Lease liabilities	**-**	66
Total borrowings	**-**	3,117

All leases ended in 2022.

Reconciliation of liabilities arising from financing activities

	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)**	**-**	**-**

	1 January 2021 $'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 2021 $'000
Lease liabilities	12,837	(9,151)	(886)	226	216	(125)	-	3,117

31. Share capital

	Number of shares $'000	Amount $'000
2022		
Beginning and end of financial year	**869,827**	**873,484**
2021		
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.

32. Fair value reserve

	2022 **$'000**	2021 $'000
Beginning of financial year	**5,440**	12,105
Adoption of FRS 109 (Note 2.1)	**(5,440)**	-
Balance after adoption of FRS 109	**-**	12,105
Available-for-sale financial assets		
- Fair value losses	**-**	(8,206)
- Transfer to profit or loss on disposal (Note 7)	**-**	176
- Tax benefit	**-**	1,365
End of financial year	**-**	5,440

Fair value reserve is non-distributable.

33. Capital reserve

	2022 **$'000**	2021 $'000
Beginning of financial year	**6,376**	4,431
Value of employee services	**2,859**	3,227
Recharge to previous ultimate holding company	**(5,189)**	(1,282)
Recharge to ultimate holding company	**(2,411)**	-
End of financial year	**1,635**	6,376

Capital reserve comprises the cumulative value of employee services received for the issue of share options of the ultimate holding company. Capital reserve is non-distributable.

34. Share-based payments

The Company's ultimate holding company has share option schemes and conditional awards plan which invite employees of the Company, including directors, to take up options to subscribe for shares of the ultimate holding company.

(a) Deferred Share Awards (including annual incentive awards, long-term incentive("LTI") awards delivered in shares) and Group Performance Share Plans ('GPSP'))

- An assessment of performance over the relevant period ending on 31 December is used to determine the amount of the award to be granted;
- Deferred awards generally require employees to remain in employment over the vesting period and are generally not subject to performance conditions after the grant date, an exception to these are the LTI awards which are subject to performance conditions;
- Deferred share awards generally vest over a period of three, five or seven years;
- Vested shares may be subject to a retention requirement post-vesting; and
- Awards are subject to malus and clawback provisions.

(b) International Employee Share Purchase Plan ("ShareMatch")

- The plan was first introduced in Hong Kong in 2013 and now includes employees based in 28 jurisdictions;
- Shares are purchased in the market each quarter up to a maximum value of GBP 750 or the equivalent in local currency;
- Matching awards are added at a ratio of one free shares for every three purchased; and
- Matching awards vest subject to continued employment and the retention of the purchased shares for a maximum period of two years and nine months.

(c) Savings-related share option plan ("Sharesave")

- From 2014, employees eligible for the UK plan could save up to GBP 500 per month with the option to use the savings to acquire shares;
- These are generally exercisable within six months following either the third or fifth anniversary of the commencement of a three-year or five-year contract, respectively; and
- The exercise price is set at a 20% discount to the market value immediately preceding the date of invitation.

34. Share-based payments (continued)

As at 31 December 2021, the Company had share-based compensation plans where employees are offered an opportunity to acquire AXA S.A. shares:

- The AXA Group Share Plan is an annual offering to all employees to invest in AXA shares at a discount to market price in a 5-year restriction period;
- The AXA Stock Option Plan grants share options to certain eligible employees of the Company to purchase ordinary shares of AXA pursuant to stock options plans maintained by AXA S.A.. While the precise terms and conditions of each option grant may vary, current options are granted at a price not less than the average closing price of the ordinary shares on the Paris Stock Exchange during the 20 trading days preceding the date of the grant, valid for a maximum period of 10 years and becomes exercisable in instalments of 33.33% per year on each of the third, fourth and fifth anniversaries of the grant date which is generally end of March. As at 31 December 2022, there are no outstanding options (2021: 89,300 shares); and
- Performance Shares are awards granted to eligible employees for a right to acquire AXA shares after a 3 year period (acquisition period) based on the achievement of certain collective performance conditions. The shares acquired may be restricted from sale during a 2 year period (restriction period). As at 31 December 2022, there are no outstanding performance shares (2021: 89,300).

35. 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:

	2022 **$'000**	2021 $'000
Private equity funds - call on demand	**57,492**	38,017

(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.

36. 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 statement of financial position. 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.

	2022 **$'000**	2021 $'000
Available-for-sale financial assets	**-**	50,813
Financial assets, at fair value through profit or loss	**2,900,463**	2,991,541
	2,900,463	3,042,354

37. Holding companies

On 11 February 2022, the Company was wholly acquired by 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.

38. 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:

	2022	2021
	$'000	$'000
Related corporations		
IT related cost payment	**39,402**	-
Payment of other expense recharges	**29,613**	-
Fund management fees	**2,116**	-

Prior year amounts were restated to nil to provide clear representation of related party transactions with HSBC entities.

Key management personnel compensation is as follows:

	2022	2021
	$'000	$'000
Salaries	**10,449**	4,080
Share-based payments	**232**	-
Directors' fees	**152**	138
	10,833	4,218

39. New or revised accounting standards and interpretations

The Accounting Standards Council Singapore (ASC) has issued a number of new FRS and amendments to FRS that are effective in the current accounting period of the Company. The Directors expect that the adoption of the new standards above will not have any material impact on the financial statements in the year of initial application, except as below.

39.1 Disclosure on FRS 117

FRS 117 Insurance Contracts replaces the current FRS 104 Insurance Contracts standard and is effective for annual periods beginning on or after 1 January 2023. The standard will be applied retrospectively, with comparatives restated from 1 January 2022.

The standard sets out the requirements that the Company should apply in accounting for insurance contracts it issues, reinsurance contracts it holds, and investment contracts with discretionary participation features.

The Company has put infrastructure and processes in place and progressing with the implementation of the standard.

Under FRS 117, the estimated future profit on insurance contracts will be included in the measurement of the insurance contract liabilities as the contractual service margin ('CSM'), which represents the present value of unearned profit of the groups of insurance contracts. The estimated future net cost/ gain on reinsurance contracts held will be included in the measurement of the reinsurance contract assets as the CSM which represents the present value of net cost/ gain on groups of reinsurance contracts held. Insurance contracts will be allocated to portfolios based on common characteristics, and further separated into groups containing:

- contracts that are onerous at initial recognition, if any;
- contracts that at initial recognition have no significant possibly of becoming onerous subsequently, if any; and
- the remaining contracts in the portfolio, if any.

Reinsurance contracts held are allocated to portfolios based on common characteristics, and further separated into groups containing:

- contracts on which there is a net gain at initial recognition, if any;
- contracts that at initial recognition have no significant possibly of net gain arising subsequently, if any; and
- the remaining contracts in the portfolio, if any.

39. New or revised accounting standards and interpretations (continued)

39.1 Disclosure on FRS 117 (continued)

In contrast to the Company's FRS 104 accounting, where profits are recognised when income is due, the CSM will be gradually recognised in revenue as services are provided over the duration of the insurance contract. For re-insurance contracts the CSM represents the deferred gains/losses which will be recognised as re-insurance expense/income as the Company receives services from the reinsurer. Losses resulting from the recognition of onerous contracts are recognised immediately in the income statement.

The CSM is adjusted depending on the measurement model of the group of insurance contracts. The Company expects to account for its group of contracts using either the 'General Measurement Model' ('GMM') which is the default measurement model under FRS 117 or the 'Variable Fee Approach' ('VFA') which is mandatory to apply for contracts with direct participation features upon meeting the eligibility criteria.

The implementation of FRS 117 will lead to a number of presentation and disclosure changes. Under FRS 117, the amounts recognised in the income statement are disaggregated into (i) the insurance service result and (ii) insurance finance income or expenses. In the Balance Sheet, insurance and re-insurance contracts will be shown separately and split between assets and liabilities.

FRS 117 requires the Company to apply the standard retrospectively (i.e. measuring a group of contracts as if FRS 117 had always been applied) using the 'Full Retrospective Approach' ('FRA') unless it is impracticable. When FRA is impracticable (e.g. due to the lack of sufficient and reliable data), the Company has an accounting policy choice to use either the 'Modified Retrospective Approach' ('MRA') or the 'Fair Value Approach' ('FVA'). The Company will apply the FRA for the insurance business from the policy year 2022 onwards, and plans to apply the FVA for the majority of insurance contracts for which FRA is impracticable. The transition approaches for reinsurance will follow the approaches to be applied for underlying insurance business.

Impact of FRS 117

Changes to equity on transition are driven by the recognition of the CSM and re-measurement of insurance/reinsurance contract liabilities.

FRS 117 requires use of current market values in the measurement of insurance contract liabilities. The shareholder's share of the investment experience and assumption changes will be absorbed in the CSM and released over time to profit or loss under VFA, whilst the shareholder's share of the investment volatility will be recorded in profit or loss as it arises under GMM. In accordance with FRS 117, directly attributable costs will be incorporated in the CSM and recognised in the results of insurance services as a reduction in reported revenue, as profit is recognised over the duration of groups of insurance contracts.

39. New or revised accounting standards and interpretations (continued)

39.1 Disclosure on FRS 117 (continued)

Impact of FRS 117 (continued)

While the profit over the life of an individual contract will be unchanged, its emergence will be later under FRS 117.

All of these impacts will be subject to deferred tax.

Management is currently in the process of assessing the impact arising from the adoption of FRS 117 on the opening balance sheet as at 1 January 2022.

39.2 Disclosure on Interest Rate Benchmark Reform

Following the global financial crisis, the reform and replacement inter-bank offered rates ("IBOR") has become a priority for global regulators. The Company's risk exposure that is directly affected by the IBOR reform are linked to the Singapore Swap Offer Rate and USD, GBP, and EUR London IBOR.

The table below presents the carrying amount of financial instruments that the Company holds at 31 December which have not yet transitioned to new benchmark rates:

	2022	2021
	$'000	$'000
Available-for-sale financial assets	**-**	88,749
Financial assets, at fair value through profit or loss	**27,336**	11,499
Derivative financial instruments	**(21,012)**	(8,601)

The Company's fund manager is managing the Company's transition plan. There is currently uncertainty around the timing and precise nature of these changes. The Company is monitoring the implementation of robust fallback clauses and is adhering to the International Swaps and Derivatives Association's protocol for over-the-counter derivatives. Risks arising from instruments that are subject to such transition are not considered significant.

40. Comparative information

Certain comparatives have been reclassified to be consistent with the current year's presentation.

There is no impact to the net profit and net assets. The effect of the reclassification is as follows:

	Note	**2021 As reclassified $'000**	2021 As previously reported $'000
Statement of comprehensive income			
Fee and other income	(a)	***n/a***	76,504
Fee and commission income	(a),(b)	**88,466**	*n/a*
Other income	(a)(ii)	**5,949**	*n/a*
Net commission and distribution expenses	(a)(i),(b)	***n/a***	(212,776)
Commission and distribution expenses	(b)	**(230,687)**	*n/a*
Increase/(decrease) in insurance contract liabilities, gross of reinsurance	(c)	**96,364**	*n/a*
Decrease/(increase) in reinsurers's share of insurance contract liabilities	(c)	**14,059**	*n/a*
Increase/(decrease) in insurance contract liabilities	(c)	***n/a***	110,423
Net expenses		**(25,849)**	(25,849)
Balance sheet			
Intangible assets	(d)	**88,426**	54,334
Property and equipment	(d)	**4,169**	38,261
Reinsurers' share of insurance contract liabilities	(e)	**20,232**	*n/a*
Insurance contract liabilities, gross of reinsurance	(e)	**(3,260,873)**	*n/a*
Insurance contract liabilities	(e)	***n/a***	(3,240,641)
Amount due from related companies	(f)	**-**	259
Other receivables	(f)	**61,099**	60,840
Amount due to related companies	(g)	**-**	(32)
Other payables and accrued expenses	(g)	**(229,308)**	(229,276)
Net assets		**(3,316,255)**	(3,316,255)

40. Comparative information (continued)

(a) “Fee and other income” has been modified as “Fee and commission income”, where:

   (i) Commission income of $17.9m has been reclassified from “Net commission and distribution expenses”; and
   (ii) Additional “Other income” line item has been separately presented.

(b) “Net commission and distribution expenses” has been modified as “Commission and distribution expenses”, where Commission income has been reclassified to “Fee and commission income” (Note 40(a)(i)).

(c) “Increase/(decrease) in insurance contract liabilities” has been modified to separately present “Increase/(decrease) in insurance contract liabilities, gross of reinsurance” and “Decrease/(increase) in reinsurers's share of insurance contract liabilities”.

(d) Computer software assets amounting to $34.1m have been reclassified from “Property and equipment” to “Intangible assets”.

(e) “Insurance contract liabilities” has been modified to separately present “Reinsurers’ share of insurance contract liabilities” and “Insurance contract liabilities, gross of reinsurance”.

(f) Amount due from AXA entities have been reclassified from “Amount due from related companies” to “Other receivables” (Note 22).

(g) Amount due to AXA entities have been reclassified from “Amount due to related companies” to “Other payables and accrued expenses” (Note 22).

41. Events occurring after balance sheet date

<u>Scheme of transfer</u>

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 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 will be equivalent to the net asset value of HSBC Insurance (Singapore) Pte. Limited as at 1 February 2023 on the valuation basis used in the MAS regulatory returns.

41. Events occurring after balance sheet date (continued)

Allotment of ordinary shares

The Company issued ordinary shares to its immediate holding company, HSBC Insurance (Asia-Pacific) Holdings Limited, for a consideration as follows:

	Number of shares $'000	Amount $'000
1 February 2023	395,000	395,000
10 February 2023	20,000	20,000
20 February 2023	73,000	73,000
	488,000	488,000

The newly issued shares rank pari passu in all aspects with the previously issued shares.

42. 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. (formerly known as AXA Insurance Pte. Ltd.) on 29 March 2023.