

Directors' Report

For the Financial Year Ended 31 December 2014

NTUC Income was the first Co-operative set up by the Labour Movement 45 years ago to provide affordable insurance for workers in Singapore.

As Singapore developed and modernised, NTUC Income has likewise evolved. Today, NTUC Income is a progressive and modern enterprise. It has a well-balanced portfolio of products that maximises value for customers, provides excellent customer services, casts an effective multi-channel distribution network, and is a well-respected brand.

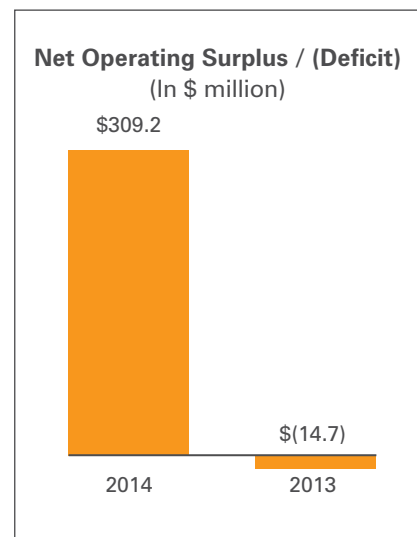
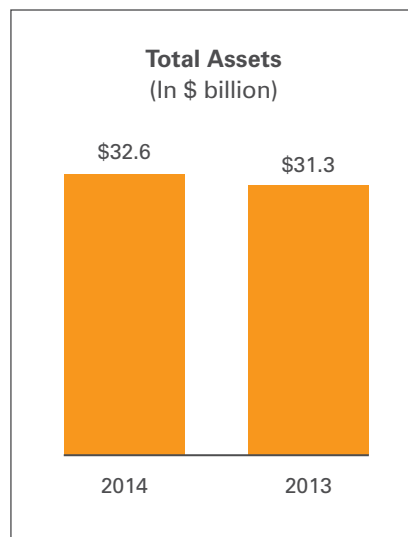
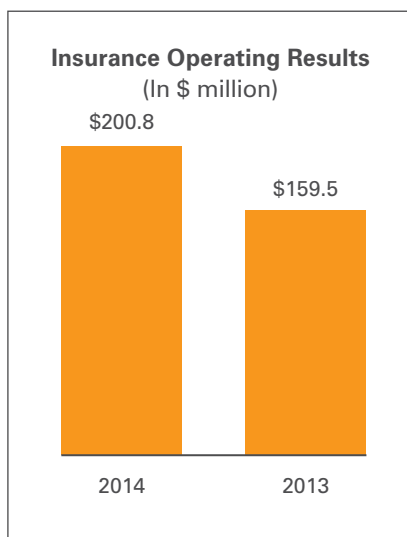
Residents in Singapore look to NTUC Income for trusted advice and solutions when making their most important financial decisions. Through our wide network of advisers and partners, we provide life, health and general insurance products and services to serve the protection, savings and investments needs of over two million people across all segments of society.

2014 PERFORMANCE HIGHLIGHTS

In 2014, the life insurance industry took in \$2.8 billion in weighted new business premiums.

Against this backdrop, NTUC Income achieved credible results in 2014. Here are some of NTUC Income's performance highlights:

- Insurance operating results amounted to \$200.8 million, the highest in NTUC Income's history.
- At the end of 2014, our assets reached a record \$32.6 billion.
- Net operating surplus amounted to \$309.2 million, a significant increase over 2013.



LIFE INSURANCE

In 2014, NTUC Income collected \$2.4 billion in gross life insurance premiums¹. This comprised \$0.4 billion in single premiums and \$2.0 billion in annual premiums.

The total investment return on our Life Insurance Participating Fund was 5.45%. The Board accepted the Appointed Actuary's recommendation to pay out a total bonus amounting to \$439.6 million. This payout is in line with the assurance given to policyholders that bonus payouts will be fair and consistent with the performance of the Life Fund.

The group and health businesses took in gross premiums of \$649.4 million, up 5.4% from 2013.

¹ Includes life and health insurance

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GENERAL INSURANCE

NTUC Income took in \$293.5 million in gross premiums for general insurance, a 3.9% decline over 2013. Gross premiums were impacted by the new regulations imposed by the government to curb vehicle growth in Singapore. Overall, however, the general insurance business registered an underwriting profit of \$92.1 million in 2014, an increase from \$26.8 million in 2013.

We continue to be a leading motor insurer in Singapore, covering roughly one in four vehicles. In 2014, for the sixth consecutive year, NTUC Income was able to achieve positive underwriting results in motor insurance.

Our motor insurance business was strengthened with a suite of game-changing initiatives. These included Orange Eye, a new mobile application that transforms a smart phone into an in-car camera; OrangeSafe, a free defensive riding course for NTUC Income's motorcycle insurance policyholders; and the Motor Service Centre (MSC), a one-stop accident-reporting and damage-assessment centre to help our customers when they encounter a road accident. The MSC complements Orange Force, our round-the-clock accident response team, that provides assistance to customers at the scene of a road accident. The initiatives are designed to assist our customers, ensure their well being and reduce any inconvenience in the event of an accident.

SHAREHOLDERS

The Directors propose a dividend of 6.0% and a special dividend of 1.5% totaling 7.5% for the financial year ended 31 December 2014.

OUR FINANCIAL STRENGTH AND CORPORATE GOVERNANCE

Standard & Poor's financial strength rating of NTUC Income is AA-, supported by analysis that we have a very strong business network, a good investment portfolio with strong liquidity and a satisfactory operating performance.

In 2014, NTUC Income continued to maintain a healthy capital adequacy ratio of 285.0%.

NTUC Income continually reviews its processes and aligns its resources to optimise our operational effectiveness.

We embrace and practise the highest standards of corporate governance, transparency and disclosure, while expanding and deepening our capabilities towards becoming a higher-performing organisation.

FULFILLING OUR SOCIAL PURPOSE

As a social enterprise, NTUC Income is committed to making insurance affordable and accessible to all residents in Singapore. This includes insuring segments in our community who have typically been denied insurance.

In 2014, NTUC Income unveiled SpecialCare (Down Syndrome), the only policy in the market designed for children and young people with down syndrome. SpecialCare (Down Syndrome) followed SpecialCare (Autism), an insurance plan for children and youth with autism that was launched in 2013. People with autism and down syndrome were segments of our population who were previously uninsurable.

Also in 2014, through collaboration with the Ministry of Education (MOE), NTUC Income extended its Income Family Micro-Insurance Scheme (IFMIS) to benefit more low-income families with young children in Government or Government-aided primary schools.

IFMIS is a free insurance policy that pays out \$5,000 in the event that the main caregiver of low-income families with young children passes away or becomes totally and permanently disabled. It was launched in April 2010 to cover

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some 13,000 families already registered under the ComCare GROW schemes administered by the five Community Development Councils. These schemes later came under the purview of the Ministry of Social and Family Development.

The collaboration with MOE enables all children in primary schools who are recipients of MOE's Financial Assistance Scheme to be automatically covered under IFMIS, which broadens the scheme's coverage to more than 30,000 families.

In 2014, Spectra Secondary School, one of Singapore's two specialised schools for Normal Technical Education, became a beneficiary of OrangeAid, NTUC Income's corporate social responsibility programme. The funding from OrangeAid for the school's "I Believe" Programme provides more activities and programmes that build up confidence, character and resilience of students at Spectra Secondary School.

Collectively, OrangeAid positively impacted the lives of more than 2,000 children from the 10 beneficiaries we support.

In 2014, NTUC Income contributed more than \$2.1 million to the Labour Movement, including \$1.0 million to the NTUC U Care Fund that provides assistance to low-income members and their families.

NTUC Income's efforts in doing good received recognition when we were conferred the 2014 President's Award for Philanthropy in the corporate category. The prestigious award is an important validation of what we have been doing and our impact on society.

Looking ahead, NTUC Income is committed to enhancing our OrangeAid programme to help more disadvantaged children and youth to have a better future.

CONCLUSION

The Directors would like to express their deepest appreciation to NTUC, the unions and affiliates, as well as NTUC Income's partners, customers, management and staff for contributing to NTUC Income.

It is their commitment to supporting our customers and the community, along with a portfolio of distinctive value, which allows us to be confident about sustaining our efforts to make a bigger difference in the lives of those we serve.

For and on behalf of the Board of Directors



Stephen Lee
Chairman

Singapore, 24 March 2015

Board of Directors



Mr Stephen Lee

Mr Tan Suee Chieh

Dr Audrey Chin

STEPHEN LEE

Chairman

Mr Stephen Lee was co-opted to the Board on 15 November 2013 as Director representing the Founder Member and appointed as the Chairman on 1 January 2014. He is the Chairman of Singapore Airlines Ltd and SIA Engineering Company Ltd, as well as Managing Director of Shanghai Commercial and Savings Bank Ltd (Taiwan) and Great Malaysia Textile Investments Pte Ltd.

Mr Lee is also a member of the National Wages Council and an Alternate Member of the Council of Presidential Advisers. He is a Director of the Singapore Labour Foundation and NTUC Enterprise Co-operative Limited, amongst several other appointments.

Mr Lee was a Nominated Member of Parliament from 1994 to 1997. He was awarded the Public Service Star in 1998 and the Distinguished Service Order in 2006 for his contributions to both the public and private sectors.

Mr Lee graduated from Northwestern University, Illinois, USA, in 1973 with a Master of Business Administration.

TAN SUEE CHIEH

Director

Mr Tan Suee Chieh was appointed to the Board on 30 May 2003 and was last re-elected as Director representing the Founder Member on 23 May 2012. He is a member of the Investment, Risk Management, Nominating, and Human Resource & Remuneration Committees.

Mr Tan is the Group Chief Executive of NTUC Enterprise Co-Operative Limited. He has been a Director of NTUC Income since 2003 and was its Chief Executive from 2007 to 2013. He previously held the appointment of President, Asia Pacific Region at SHL Group plc. Prior to that, he was Managing Director for Prudential plc's businesses in Hong Kong, Malaysia and Singapore.

Mr Tan serves on the Boards of several NTUC social enterprises, the International Co-operative & Mutual Insurance Federation (UK), is a Fellow of the Institute of Actuaries (UK), and a Trustee of the Singapore LSE Trust.

He graduated with honours from the London School of Economics and a Masters in Social Organisational Psychology from Columbia University.

AUDREY CHIN

Director

Dr Audrey Chin was first elected to the Board on 30 May 2008 and last re-elected as director representing Ordinary Members on 3 June 2014. She is a member of the Investment, Risk Management, Nominating, and Human Resource & Remuneration Committees. Dr Chin is also the lead independent director.

Dr Chin is the Chairman of Keppel REIT Management Limited and Vietnam Investing Associates - Financials (S) Pte Ltd. She has worked in investment management and strategy at the Government of Singapore Investment Corporation, Fortis Private Bank, Pacific Asset Management (S) Pte Ltd and Rossignol Pte Ltd.

Dr Chin is also a Director of JC Trust Pte Limited. She holds a PhD in Public Policy from Rand Graduate School.

Board of Directors



Mr Philip Eng

Dr Sung Cheng Chih

Mr Richard Shermon

PHILIP ENG

Director

Mr Philip Eng was first elected to the Board on 30 May 2008 and was last re-elected as Director representing Institutional Members on 3 June 2014. He is the Chairman of the Audit Committee.

Mr Eng is non-executive Chairman of mDR Limited and Frasers Centrepoint Asset Management Ltd. He holds directorships in several companies including Hektar Asset Management Sdn Bhd, The Hour Glass Ltd, Singapore Health Services Pte Ltd and Frasers Centrepoint Ltd. He is a Commissioner of PT Adira Dinamika Multi Finance Tbk, Indonesia.

Mr Eng is currently Singapore's High Commissioner to Canada. He graduated from the University of New South Wales with a Bachelor of Commerce in Accountancy and is an Associate Member of the Institute of Chartered Accountants in Australia.

SUNG CHENG CHIH

Director

Dr Sung Cheng Chih was first elected to the Board on 24 May 2011 and last re-elected as director representing the Founder Member on 3 June 2014. He is the Chairman of the Risk Management, Nominating, and Human Resource & Remuneration Committees. Dr Sung joined GIC in 1993 and retired as Managing Director and Chief Risk Officer for the GIC Group in 2011.

Dr Sung is currently Investment Advisor to the Singapore Ministry of Finance, Corporate Advisor to Temasek International Advisors Pte Ltd, and non-executive director of Markit Limited, MIT Investment Management Company, and Wealth Management Institute, Singapore. He is also serving on the Expert Panel of the Ministry of Finance in Norway, the Investment and Risk Advisory Panel of the Monetary Authority of Singapore, and the Advisory Board of the Center for Finance and Policy at the Massachusetts Institute of Technology.

Dr Sung studied Applied Mathematics at the University of Waterloo and also holds a PhD degree in Pure Mathematics from the University of Minnesota.

RICHARD SHERMON

Director

Mr Richard Shermon was first elected to the Board on 24 May 2011 and last re-elected as director representing the Founder Member on 3 June 2014. He is a member of the Audit and Risk Management Committees.

Mr Shermon, originally from the UK, is now an Australian citizen managing his own financial consultancy business based in Melbourne. He has more than 25 years of experience in financial services, of which he was the CEO of AXA Life Insurance in Singapore for three years. He is a qualified actuary and has a strong background in actuarial science as well as a good knowledge of the insurance business in UK, Australia and Singapore.

Mr Shermon holds an honours degree in Mathematics from the Oxford University and is a Fellow of the Faculty and Institute of Actuaries, UK.

Board of Directors



Mr Heng Chee How



Ms Diana Chia



Mr Choong Tuck Oon

HENG CHEE HOW

Director

Mr Heng Chee How was elected to the Board on 23 May 2012 as Director representing the Founder Member. He is a member of the Risk Management Committee.

Mr Heng is the Deputy Secretary-General of NTUC. He started his career in the Singapore Police Force before moving to NTUC in 1995. He also serves on the Board of NTUC Enterprise Co-operative Ltd and as a trustee and advisor to several trade unions. He is the Executive Secretary of the United Workers of Electronic and Electrical Industries and Union of Telecoms Employees of Singapore.

Mr Heng holds a Master of Arts degree from Cambridge University and a Master in Public Administration from Harvard University.

DIANA CHIA

Director

Ms Diana Chia was elected to the Board on 23 May 2012 as Director representing the Institutional Members. She is a member of the Audit Committee.

Ms Chia is the President of the NTUC. She is also the General Secretary of the Healthcare Employees Union. Ms Chia has been a member of the NTUC Central Committee since 1994 and has been active in its Women's Programme. She is a director of NTUC Enterprise Co-operative and a member of the Industrial Arbitration Court Employee Panel, National Wages Council, Singapore Workforce Development Agency (Healthcare ISTC) and Singapore Nursing Association, among others.

Ms Chia holds a degree in Health Science (Nursing) from the University of Sydney and various other qualifications including a diploma in Industrial Relations.

CHOONG TUCK OON

Director

Mr Choong Tuck Oon was elected to the Board on 23 May 2012 as Director representing the Ordinary Members. He is a member of the Risk Management Committee.

Mr Choong was with Accenture for 23 years until his retirement in 2010 as Senior Partner in the Financial Services Asia-Pacific practice where he led transformation and technology initiatives for banks and insurance companies in Singapore and in the region. Mr Choong was also involved in voluntary non-governmental organisation activities, such as launching a bank-of-banks for micro-finance institutions across Indonesia for a consortium of international aid agencies, and developing a new growth strategy across 11 countries in Asia Pacific for an international conservation fund.

Mr Choong is a non-executive director of RHB Bank, RHB Islamic Bank, RHB Private Equity, OSK Indochina Bank, OSK Indochina Securities and FIDE Forum. He is also currently involved as mentor and advisor for various start-up initiatives in NUS Enterprise, MDA and SiTF.

Mr Choong holds a Bachelor of Science degree (First Class Honours) from the University of Malaya, a Master of Science degree from the Asian Institute of Technology and Executive Diploma in Directorship from Singapore Management University.

Board of Directors



Mr Lau Wing Tat



Mr Kee Teck Koon



Mr Kevin Scully

LAU WING TAT

Director

Mr Lau Wing Tat was elected to the Board on 5 June 2013 as Director representing the Institutional Members. He is the Chairman of the Investment Committee.

Mr Lau is currently a director of the Central Provident Fund Board and Hyflux Limited. Mr Lau joined the Government of Singapore Investment Corporation in 1983 for a career in Investment Management. He was with GIC for the next 20 years, where he played a number of different roles in various departments. Between February 2005 and June 2007, Mr Lau served as the Chief Investment Officer and Chief Executive Officer of DBS Asset Management, a wholly-owned subsidiary of the DBS Group. Thereafter, he took on several directorships and advisory roles.

Mr Lau has a First Class Honours degree in Mechanical Engineering from the University of Singapore and is a Chartered Financial Analyst.

KEE TECK KOON

Director

Mr Kee Teck Koon was elected to the Board on 3 June 2014 as director representing the Founder Member. He is a member of the Investment Committee.

Mr Kee is currently non-executive Chairman of Changi Airports International Pte Ltd and Alexandra Health Fund Limited. He also holds directorships in NTUC Enterprise Co-operative Limited, Raffles Medical Group Ltd and Capitaland Limited, among others.

Mr Kee started his career in 1979 with the Singapore Armed Forces and was with the Ministry of Defence until 1991. Thereafter he held senior management appointments with several organisations before joining the Capitaland Group in 2003. After holding several senior positions, he retired as the Chief Investment Officer of Capitaland Limited in July 2009.

Mr Kee holds a Master of Arts from Oxford University.

KEVIN SCULLY

Director

Mr Kevin Scully was co-opted to the Board on 1 January 2015 as director representing the Founder Member. He is a member of the Audit and Investment Committees.

Mr Scully holds directorships in PNE Micron Holdings Limited, and Electro Optic Systems (Australia). He is also an executive director of companies related to Netresearch such as NRA Capital Pte Ltd.

Mr Scully is Adjunct Professor at the SIM University's School of Human Development & Social Services. He is a member of the MAS-Commercial Affairs Department panel of experts on securities offences and a member of the Investment Committee of the SIM Group.

Mr Scully has more than 30 years of experience in equities research and analysis, as well as corporate advisory matters, in various positions such as the head of research of Schroder Securities (Singapore) Pte Ltd and director of Schroder Asia Securities (Hong Kong) Limited. Over the last 15 years, he worked in the Netresearch-Asia group.

Mr Scully holds a Bachelor of Social Science (Honours) in Economics from the National University of Singapore.

Making a Difference in our Community

NTUC INCOME KITE FESTIVAL 2014

While kites have become increasingly sophisticated, innovative and creative over the years, kite-flying remains an inclusive and wholesome activity that brings friends and family together.

The transformation of kites mirrors the evolution of NTUC Income itself – we have become more dynamic and able to meet the needs of a new generation of Singaporeans better.



At the same time, we have retained our foundational purpose of making essential insurance accessible and affordable to all.

That is why NTUC Income is closely associated with the annual Kite Festival. In 2014, NTUC Income volunteers hosted about 200 guests from some of our OrangeAid beneficiaries.

PRESIDENT'S AWARD FOR PHILANTHROPY

NTUC Income was conferred the prestigious 2014 President's Award for Philanthropy in the corporate category.

As a social enterprise that is "made different" and with doing good as part of our DNA, the recognition is especially meaningful and will inspire us to do more to take OrangeAid to a higher level.





ORANGEAID DONOR APPRECIATION

In May 2014, students from Assumption Pathway School's culinary class baked cookies and bread, and distributed them at NTUC Income's Bras Basah and Tampines branches. This was part of the OrangeAid Donor Appreciation drive for NTUC Income policyholders who contributed to OrangeAid through outright donations or the rounding up of their policy premiums.



CHINESE NEW YEAR VISIT TO THK HOME FOR DISABLED@EUNOS

NTUC Income's annual visit to THK Home for Disabled@Eunos, one of our beneficiaries of OrangeAid, is a cherished tradition that dates back more than two decades. Many in NTUC Income have seen some of the Home's residents grow up from young children to cheerful adults.

In 2014, more than 100 volunteers from NTUC Income participated in the visit.



Corporate Governance

INTRODUCTION

NTUC Income adopts a high standard of corporate governance consistent with best practices. Its framework of corporate governance policies and practices is in line with the Guidelines on Corporate Governance issued by the Monetary Authority of Singapore (MAS), the Insurance (Corporate Governance) Regulations (ICGR), the Co-operative Societies Act and the By-Laws of NTUC Income.

NTUC Income recognises the importance of having a set of well-defined corporate governance processes to enhance performance and accountability, to sustain business performance and to safeguard the interest of its stakeholders. The promotion of corporate transparency, integrity and accountability at all levels of the organisation is led by the Board and assisted by the management team.

BOARD GOVERNANCE

Board Role and Responsibilities

The Board of Directors oversees the affairs of the Co-operative, including setting its strategic direction and long-term goals, and reviewing its performance. The principal duties of the Board include:

- Approving broad policies, strategies and objectives of the organisation
- Monitoring management performance, including the implementation of strategies, policies and business results
- Approving annual budgets (capital and operating), major fund proposals, and investment and divestment proposals
- Overseeing investment management including approval of investment policy and strategy
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance
- Overseeing talent acquisition, development and retention including compensation policies and succession planning
- Assuming responsibility for corporate governance including reviewing the code of conduct and standards of business practice

Matters which require specific Board approval / endorsement include, but are not limited to the following:

- investments, risks, capital expenditure, borrowings, forgiveness of debts and loan write offs exceeding delegated limits
- material acquisition and disposal of assets
- bonus declaration to policyholders
- share issuance and dividend declaration
- amendments to the By-Laws
- appointment of directors and key executives
- every transaction with a related party
- opening of bank accounts and authorised signatories to operate the accounts
- authorised signatories for documents executed under common seal
- any other matter as required under the By-Laws and applicable laws and regulations

The Board exercises stewardship in directing the Co-operative towards achieving its objectives. It ensures that the Co-operative adopts sound corporate governance practices, complies with applicable laws and regulations, and has the necessary measures in place to achieve its objectives. It monitors management performance and emphasises professionalism and honesty in all dealings, and at all levels in the organisation so as to sustain the Co-operative's standing, image and reputation.

Corporate Governance

Board Composition

The Board comprises 12 members as follows:

Chairman	Stephen Lee
Directors	Tan Suee Chieh
	Audrey Chin
	Philip Eng
	Sung Cheng Chih
	Richard Shermon
	Heng Chee How
	Diana Chia
	Choong Tuck Oon
	Lau Wing Tat
	Kee Teck Koon
	Kevin Scully

Mr Kee Teck Koon was elected to the Board at the 44th Annual General Meeting (AGM) held on 3 June 2014. Mr Kevin Scully was co-opted to the Board on 1 January 2015.

Dr Audrey Chin was appointed as the lead independent director with effect from 4 June 2014.

Mr Kevin Kwok stepped down from the Board with effect from 2 January 2015. Mr Chua Lee Ming, who was elected to the Board at the 44th AGM stepped down from the Board on 1 February 2015.

The Nominating Committee (NC) is of the view that diversity on the Board in terms of background and experience is important. It has assessed the skills of the directors and agreed that the desired competencies include accounting, actuarial, auditing, finance, insurance, investments, legal and risk management. The directors collectively possess a wide spectrum of these competencies. There is a good mix of general business background and specialist skills. With their broad knowledge, expertise and experience from different industries, the Board provides valuable insights and advice to management.

The NC has formalised a continuous development programme for the directors to further equip them with appropriate skills to perform their roles on the Board and Board Committees. This is in line with the Guidelines on Corporate Governance. However, in order to have more flexibility, the NC is of the view that the number of hours of training and the types of courses under this programme should not be fixed. It has agreed that the continuous development programme will comprise talks and seminars organised by external organisations, talks by invited speakers at Board and Board Committee meetings (or other separate occasion) and the training component from presentations on technical issues made at such meetings.

Directors' Independence

The MAS Guidelines on Corporate Governance and the ICGR advocate a strong and independent element on the Board so that it is able to exercise objective judgment independent from management and substantial shareholders. The NC determines the independence of the directors prior to appointment and annually, based on criteria set out in the Corporate Governance Guidelines and ICGR. Such criteria include whether a director's length of service has affected his / her independence, and any relationship with the Co-operative, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Co-operative.

Corporate Governance

The NC considers all but five directors to be independent. The non-independent directors comprise Mr Stephen Lee, Mr Tan Suee Chieh, Mr Heng Chee How, Ms Diana Chia and Mr Kee Teck Koon, all of whom are connected to NTUC Enterprise, a substantial shareholder. The current composition of the Board satisfies the statutory requirement of having a majority of independent directors.

Board Meetings and Attendance

The Board conducts five scheduled meetings a year and additional meetings are held when deemed necessary. At these meetings, the Board reviews the Co-operative's financial performance, corporate strategy, business plan, strategic operational issues as well as major issues and challenges that the Co-operative may face in the future. Towards the end of the financial year, it also discusses and approves the budget for the following year.

During the course of the year, Board approvals were also obtained through resolutions approved by circulation.

The directors attend the AGM, Board meetings and meetings of the Board Committees on which they serve. Meeting papers, reports and information necessary for the understanding of the matters to be reviewed during the meetings are disseminated in a timely manner, in advance of meetings.

Directors' Attendance at Board and Board Committee Meetings in 2014

Name of Director	Board		Audit Committee (AC)		Investment Committee (IC)	
	No. of meetings Held [®]	Attended	No. of meetings Held [®]	Attended	No. of meetings Held [®]	Attended
Stephen Lee	5	5	–	–	–	–
Tan Suee Chieh ⁽¹⁾	5	5	–	–	4	3
Audrey Chin ⁽²⁾	5	4	–	–	4	4
Philip Eng	5	4	5	5	–	–
Sung Cheng Chih	5	5	–	–	–	–
Richard Shermon ⁽³⁾	5	5	2	2	2	2
Heng Chee How ⁽⁴⁾	5	3	–	–	–	–
Diana Chia ⁽⁵⁾	5	4	5	5	–	–
Choong Tuck Oon	5	5	–	–	–	–
Kevin Kwok ⁽⁶⁾	5	4	3	3	2	1
Lau Wing Tat	5	5	–	–	4	4
Kee Teck Koon ⁽⁷⁾	2	2	–	–	2	2
Chua Lee Ming ⁽⁸⁾	2	2	2	2	–	–
Gabriel Teo ⁽⁹⁾	3	2	–	–	2	1
Tan Cheng Han ⁽⁹⁾	3	3	3	2	–	–