AIA SINGAPORE PRIVATE LIMITED - BRUNEI DARUSSALAM BRANCH

ANNUAL REPORT

For the financial year ended 31 December 2023

AIA SINGAPORE PRIVATE LIMITED -
BRUNEI DARUSSALAM BRANCH

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Contents

	Page
Independent Auditor’s Report	1
Statement of Comprehensive Income	4
Balance Sheet	5
Statement of Changes in Head Office Account	6
Statement of Cash Flows	8
Notes to the Financial Statements	10

Independent Auditor's Report

To the Board of Directors and Shareholders of
AIA Singapore Private Limited - Brunei Darussalam Branch
(Established in Brunei Darussalam)
5th Floor, Pavo Point, Simpang 37
Jalan Kianggeh,Kampung Kianggeh, BA1211
Negara Brunei Darussalam

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of AIA Singapore Private Limited - Brunei Darussalam Branch (the "Branch") give a true and fair view of the financial position of the Branch as at 31 December 2023, and of its financial performance and cash flows for the year then ended, as shown in the books maintained in Brunei Darussalam, in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the "Act") and the International Financial Reporting Standards ("IFRS").

What we have audited

The financial statements of the Branch comprise:

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). 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 Branch in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (the "Code"), together with the ethical requirements that are relevant to our audit of the financial statements in Brunei Darussalam, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provision of the Act and IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Branch'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 Branch or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Branch'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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 Branch'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 Branch'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 Branch 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Branch have been properly kept in accordance with the provisions of the Act. We have obtained all the information and explanations that we required.

PricewaterhouseCoopers Services

Chai Xiang Yuin
Partner

Brunei Darussalam
27 March 2024

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2023

	Notes	**2023**	2022 (restated)
		B$	B$
Insurance revenue	6,19	**23,899,180**	23,467,139
Insurance service expenses	8,19	**(15,921,134)**	(14,528,743)
Net expenses from reinsurance contracts held	19	**(1,026,752)**	(701,770)
Insurance service result		**6,951,294**	8,236,626
Interest revenue on			
Financial assets not measured at fair value through profit or loss	7	**5,746,892**	5,245,854
Financial assets measured at fair value through profit or loss	7	**10,823,374**	10,105,085
Other investment return	7	**11,473,594**	(98,189,224)
Net impairment loss on financial assets	7	**(36,320)**	(95,480)
Investment revenue		**28,007,540**	(82,933,765)
Net finance (expenses)/income from insurance contracts	7	**(16,405,482)**	91,396,724
Net finance income from reinsurance contracts held	7	**295,006**	291,267
Net investment result		**11,897,064**	8,754,226
Other operating revenue		**2,747**	7,941
Operating expenses	8	**(2,298,060)**	(3,011,191)
Other finance costs	8	**(55,307)**	(53,916)
Profit before tax		**16,497,738**	13,933,686
Income tax (expense)/credit	9	**(4,237,773)**	5,160,631
Profit after tax		**12,259,965**	19,094,317
Other comprehensive income (“OCI”):			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on financial assets at fair value through other comprehensive income	7, 21	**8,601,252**	(23,210,373)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal	7, 21	**87,048**	566,151
Net finance income/(expenses) from insurance contracts	7	**2,839,264**	(3,222,830)
Net finance income/(expenses) from reinsurance contracts held	7	**1,038,144**	(1,512,246)
Other comprehensive gains/(losses)		**12,565,708**	(27,379,298)
Total comprehensive gains/(losses)		**24,825,673**	(8,284,981)

Kenneth Ling
General Manager

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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

BALANCE SHEET
As at 31 December 2023

	Notes	**As at 31 Dec 2023**	As at 31 Dec 2022 (restated)	As at 1 Jan 2022 (restated)
		B$	B$	B$
ASSETS				
Property and equipment	11	**2,909,319**	2,976,081	3,464,293
Reinsurance contract assets	19	**10,097,960**	9,121,734	10,525,802
Financial investments:				
At amortised cost				
Loans and deposits	13	**9,000,000**	9,000,000	9,000,000
At fair value through other comprehensive income				
Debt securities	13	**168,247,323**	144,947,949	155,831,813
At fair value through profit or loss				
Debt securities	13	**290,983,473**	266,665,366	311,066,958
Equity shares	13	**200,847,587**	196,623,276	242,892,380
Derivative financial instruments	14	**-**	69	-
		669,078,383	617,236,660	718,791,151
Deferred tax assets	10	**627,205**	4,840,481	-
Other assets	16	**5,248,008**	5,140,816	5,329,789
Cash and cash equivalents	17	**11,125,984**	12,206,794	5,088,116
Total assets		**699,086,859**	651,522,566	743,199,151
LIABILITIES				
Insurance contracts	19	**423,171,280**	399,121,807	476,753,282
Derivative financial instruments	14	**717**	484	266
Current tax liabilities	9	**8,230,256**	8,230,256	12,472,382
Other liabilities	20	**10,308,658**	11,589,499	13,154,482
Total liabilities		**441,710,911**	418,942,046	502,380,412
HEAD OFFICE ACCOUNT				
Retained earnings		**261,743,957**	249,483,992	230,389,675
Other reserves	21	**(4,368,009)**	(16,903,472)	10,429,064
Total head office account		**257,375,948**	232,580,520	240,818,739
Total liabilities and head office account		**699,086,859**	651,522,566	743,199,151

Kenneth Ling
General Manager

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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT

For the financial year ended 31 December 2023

	Retained earnings B$	Fair value reserve B$	Insurance finance reserve B$	Others B$	Total Head Office Account B$
2023					
Restated balance at 1 January 2023	**249,483,992**	**(12,212,320)**	**(4,805,736)**	**114,584**	**232,580,520**
Profit after tax	**12,259,965**	**-**	**-**	**-**	**12,259,965**
Fair value gains on financial assets at fair value through other comprehensive income	**-**	**8,601,252**	**-**	**-**	**8,601,252**
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal	**-**	**87,048**	**-**	**-**	**87,048**
Net finance income from insurance contracts	**-**	**-**	**2,839,264**	**-**	**2,839,264**
Net finance income from reinsurance contracts held	**-**	**-**	**1,038,144**	**-**	**1,038,144**
Total comprehensive gains for the financial year	**12,259,965**	**8,688,300**	**3,877,408**	**-**	**24,825,673**
Share-based compensation (Note 21)	**-**	**-**	**-**	**(30,245)**	**(30,245)**
At 31 December 2023	**261,743,957**	**(3,524,020)**	**(928,328)**	**84,339**	**257,375,948**

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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
For the financial year ended 31 December 2023

	Retained earnings B$	Fair value reserve B$	Insurance finance reserve B$	Others B$	Total Head Office Account B$
2022					
Balance at 1 January 2022, as previously reported	192,202,741	31,973,251	-	67,822	224,243,814
Impact of initial adoption of IFRS 9 and IFRS 17	38,186,934	(21,541,349)	(70,660)	-	16,574,925
Restated balance at 1 January 2022	230,389,675	10,431,902	(70,660)	67,822	240,818,739
Profit after tax	19,094,317	-	-	-	19,094,317
Fair value losses on financial assets at fair value through other comprehensive income	-	(23,210,373)	-	-	(23,210,373)
Fair value losses on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal	-	566,151	-	-	566,151
Net finance expenses from insurance contracts	-	-	(3,222,830)	-	(3,222,830)
Net finance expenses from reinsurance contracts held	-	-	(1,512,246)	-	(1,512,246)
Total comprehensive gains/(losses) for the financial year	19,094,317	(22,644,222)	(4,735,076)	-	(8,284,981)
Share-based compensation (Note 21)	-	-	-	46,762	46,762
At 31 December 2022	249,483,992	(12,212,320)	(4,805,736)	114,584	232,580,520

Kenneth Ling
General Manager

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

	Notes	**2023**	2022 (restated)
		B$	B$
Cash flows from operating activities			
Profit after tax		**12,259,965**	19,094,317
Adjustments for:			
- Change in Insurance and reinsurance contracts assets/ liabilities		**30,207,099**	(79,631,050)
- Net (gains)/losses on investment	7	**(12,398,235)**	98,016,269
- Net unrealised foreign exchange (gains)/losses		**(270,997)**	702,830
- Investment income	7	**(18,527,601)**	(17,079,261)
- Interest expense	12	**55,307**	53,916
- Income tax expense /(credit)	9	**4,237,773**	(5,160,631)
- Other adjustments for non-cash items		**609,184**	524,386
Net purchases of other financial assets		**(33,746,161)**	(21,108,691)
Net purchases of derivative financial instruments		**(6,044)**	(63)
Changes in working capital		**(777,887)**	(1,115,268)
Interest received		**16,004,635**	15,351,924
Dividend received		**1,957,699**	1,794,669
Income tax paid	9	**(24,497)**	(3,921,976)
Net cash (used in)/generated from operating activities		**(419,760)**	7,521,371
Cash flows from investing activities			
Net purchases of property and equipment (excluding right-of-use assets)	11	**(252,940)**	(36,174)
Net cash used in investing activities		**(252,940)**	(36,174)
Cash flows from financing activities			
Repayment of lease liabilities	12	**(414,486)**	(372,023)
Net cash used in financing activities		**(414,486)**	(372,023)
Net (decrease)/increase in cash and cash equivalents		**(1,087,186)**	7,113,174
Effect of exchange rate changes on cash and cash equivalents		**6,376**	5,503
Cash and cash equivalents at beginning of financial year		**12,206,794**	5,088,117
Cash and cash equivalents at end of financial year	17	**11,125,984**	12,206,794

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2023

Reconciliation of liabilities arising from financing activities

	1 January 2023 B$	Principal payments B$	Non-cash changes B$				31 December 2023 B$
			Interest expense	Addition – new leases	Modification of lease liabilities	Termination of lease agreement	
Lease liabilities and lease reinstatement accrual	2,257,465	(414,486)	55,307	289,481	-	-	2,187,767

	1 January 2022 B$	Principal payments B$	Non-cash changes B$				31 December 2022 B$
			Interest expense	Addition – new leases	Modification of lease liabilities	Termination of lease agreement	
Lease liabilities and lease reinstatement accrual	2,575,572	(372,023)	53,916	-	-	-	2,257,465

Kenneth Ling
General Manager

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

1. General information

1.1 Corporate information

The Brunei Darussalam Branch ("the Branch"), registered on 8 August 2019, is a branch of AIA Singapore Private Limited incorporated in Singapore; whose ultimate holding company is AIA Group Limited, a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

The Branch is registered and domiciled in Brunei. The address of its registered office is at 5th Floor, Pavo Point, Simpang 37, Jalan Kianggeh, Kampung Kianggeh, BA1211, Negara Brunei Darussalam.

2. Material accounting policies

2.1 Basis of preparation

These financial statements of AIA Singapore Private Limited - Brunei Branch ("the Branch") have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Branch'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 assumptions and estimates are significant to the financial statements are disclosed in Note 4. The financial statements of the Branch are presented in Brunei dollars except as otherwise stated.

2.2 Adoption of IFRS

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

New amendment and new and revised standards adopted by the Branch
- IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities.
- IFRS 17, Insurance Contracts, replaces IFRS 4, Insurance Contracts.

Additional information on the qualitative and quantitative effects of the adoption of the new and revised accounting standards on the Branch's financial statements is provided in Note 26.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held

Consistent accounting policies for the measurement and recognition of insurance and reinsurance contracts have been adopted throughout the Branch.

2.3.1 Insurance contracts and reinsurance contracts held classification

The Branch issues contracts that transfer insurance risk, financial risk or both. For the purposes of these financial statements, contracts are classified as Insurance Contracts. Some insurance contracts, referred to as traditional participating life business, have DPF, which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Branch to pay significant additional benefits to its customers and has a possibility of incurring a loss on a present value basis, the contract is considered as transferring significant insurance risk and is accounted for as an insurance contract. Contracts held by the Branch under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts held. Insurance contracts and reinsurance contracts held can also expose the Branch to financial risk. Once a contract has been classified as an insurance or reinsurance contract, reclassification is not subsequently performed unless the terms of the agreement are later amended.

Certain contracts with DPF supplement the amount of guaranteed benefits due to policyholders. These contracts are distinct from other insurance contracts as the Branch has discretion in the amount and/or timing of the benefits declared, and how such benefits are allocated between groups of policyholders. Policyholders may be entitled to receive, as a supplement to guaranteed benefits, additional benefits or bonuses:

- that are expected to be a significant portion of the total contractual benefits;
- the timing or amount of which are contractually at the discretion of the Branch; and
- that are contractually based on:
  - the returns on a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the Branch; or
  - the profit or loss of the Branch, fund or other entity that issues the contract.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.1 Insurance contracts and reinsurance contracts held classification (continued)

Contracts with direct participation features are contracts for which, at inception:
- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the Branch expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Branch expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of underlying items.

The Branch's products may be divided into the following main categories:

Policy type	Description of benefits payable	Basis of accounting
Traditional participating life	Participating funds	Participating products include protection and savings elements. The basic sum assured, payable on death or maturity, may be enhanced by dividends or bonuses, the aggregate amount of which is determined by the performance of a distinct fund of assets and liabilities. The timing of dividend and bonus declarations is at the discretion of the insurer For participating funds, local regulations generally prescribe a minimum proportion of policyholder participation in declared dividends The VFA measurement model is applied to these insurance contracts.
Non-participating life, annuities and other protection products	Benefits payable are not at the discretion of the insurer	The general measurement model is applied to these insurance contracts except for some insurance contracts where the permitted premium allocation approach (PAA) simplification (see Note 2.3.7) is applied
Unit-linked	These may be primarily savings products or may combine savings with an element of protection	Unit-linked products that meet the definition of an insurance contract with direct participation features are measured under the VFA measurement model

The basis of accounting for Insurance contracts and reinsurance contracts held is discussed in Note 2.3.2 to Note 2.3.11 below.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.2 Separating components from insurance contracts and reinsurance contracts held

At inception, the Branch separates distinct investment components from an insurance contract or a reinsurance contract held and accounts for them as if they were stand-alone financial instruments. Distinct investment components are investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

After separating any financial instrument components, the Branch separates any promises to transfer distinct goods or services other than insurance coverage and investment services and accounts for them as separate contracts with customers (i.e. not as insurance contracts). A good or service is distinct if the policyholder can benefit from it either on its own or with other resources that are readily available to the policyholder. A good or service is not distinct and is accounted for together with the insurance component if the cash flows and risks associated with the good or service are highly inter-related with the cash flows and risks associated with the insurance component, and the Branch provides a significant service of integrating the good or service with the insurance component.

2.3.3 Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held

Insurance contracts

Insurance contracts are aggregated into groups for measurement purposes. Group of contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into semi-annual cohorts and each semi-annual cohort into three groups based on the profitability of contracts:

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

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.3 Level of aggregation and recognition of group of insurance contracts and reinsurance contracts held (continued)

Insurance contracts (continued)

An insurance contract issued by the Branch is recognised from the earliest of:
- the beginning of its coverage period (i.e. the period during which the Branch provides services in respect of any premiums within the boundary of the contract);
- when the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- when facts and circumstances indicate that the contract is onerous.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Reinsurance contracts held

Reinsurance contracts held by the Branch cover underlying insurance contracts.

A group of reinsurance contracts held is recognised on the following dates:
- Reinsurance contracts held that provide proportionate coverage: Generally later of the beginning of the coverage period of the group of reinsurance contracts held, or the date on which any underlying insurance contract is initially recognised.
- Other reinsurance contracts held: The beginning of the coverage period of the group of reinsurance contracts held. However, if the Branch recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract held was entered into on or before that earlier date, then the group of reinsurance contracts held is recognised on that earlier date.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.4 Fulfilment cash flows and contract boundaries

Fulfilment cash flows

Fulfilment cash flows comprise:
- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

Further details of the related methodology and assumptions in respect of estimation of fulfilment cash flows are provided in Note 19.

Contract boundaries

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows.

Insurance contracts

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period under which the Branch can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services.

A substantive obligation to provide insurance contract services ends when:
- the Branch has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Branch has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.4 Fulfilment cash flows and contract boundaries (continued)

Reinsurance contracts held

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Branch is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer ends when the reinsurer:
- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Branch's substantive rights and obligations and, therefore, may change over time.

2.3.5 Insurance acquisition cash flows

Insurance acquisition cash flows are allocated to groups of contracts using a systematic and rational allocation method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort. At each reporting date, the Branch revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

Insurance acquisition cash flows arising before the recognition of the related groups of contracts are recognised as an asset. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the related groups of contracts.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.5 Insurance acquisition cash flows (continued)

Recoverability assessment

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Branch:

- recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow of the related group; and
- if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss.

The Branch recognises any reversal of impairment losses in profit or loss when the impairment conditions no longer exist or have improved.

2.3.6 Measurement – insurance contracts not measured under the PAA

Initial measurement

On initial recognition, the Branch measures a group of contracts as the total of:

(a) the fulfilment cash flows, which comprise estimates of future cash flows, an adjustment to reflect time value of money and associated financial risks, and a risk adjustment for non-financial risk; and

(b) the contractual service margin (CSM).

The measurement of the fulfilment cash flows of a group of contracts does not reflect the Branch's non-performance risk.

The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.

The CSM of a group of contracts represents the unearned profit that the Branch will recognise as it provides services under those contracts. On initial recognition of a group of contracts, if the total of the fulfilment cash flows, any cash flows arising at that date and any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group (including assets for insurance acquisition cash flows) is a net inflow, then the group is not onerous. In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA (continued)

Initial measurement (continued)

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash outflows, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous groups and are excluded from insurance revenue.

Subsequent measurement

The carrying amount of a group of insurance contracts at each reporting date is the sum of the liability for remaining coverage (“LRC”) and the liability for incurred claims (“LIC”). The LRC comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date. The LIC includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk adjustment for non-financial risk. Changes in fulfilment cash flows are recognised as follows.

- Changes relating to future services are adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous);
- Changes relating to current or past services are recognised in the insurance service result in profit or loss; and
- Effects of the time value of money, financial risk and changes therein on estimated future cash flows are recognised as insurance finance income or expenses for insurance contracts without direct participation features or adjusted against CSM for insurance contracts with direct participation features.

The CSM of each group of contracts is calculated at each reporting date as follows.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA (continued)

Subsequent measurement (continued)

Insurance contracts without direct participation features

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows that do not vary based on the returns on underlying items;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
  - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
  - any decreases in the fulfilment cash flows adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

Changes in fulfilment cash flows that relate to future services mainly comprise:

- experience adjustments arising from premiums received in the period that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
- changes in estimates of the present value of future cash flows in the LRC, measured at the discount rates determined on initial recognition, except for those that relate to the effects of the time value of money, financial risk and changes therein;
- differences between (a) any investment component expected to become payable in the period, determined as the payment expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the period;

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA (continued)

Subsequent measurement (continued)

Insurance contracts without direct participation features (continued)

Changes in fulfilment cash flows that relate to future services mainly comprise: (continued)

- differences between (a) any loan to a policyholder expected to become repayable in the period, determined as the repayment expected at the start of the period plus any insurance finance income or expenses related to that expected repayment before it becomes repayable; and (b) the actual amount that becomes repayable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future services.

To determine how to identify a change in discretionary cash flows, the basis is generally determined at inception of the contract. Changes in cash flows arising from the Branch's discretion are regarded as relating to future services and accordingly adjust the CSM, these cash flows are determined based on the relevant contract terms, dividend and bonus philosophy.

Insurance contracts with direct participation features

Contracts with direct participation features are contracts under which the Branch's obligation to the policyholder is the net of:

- the obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- a variable fee in exchange for future services provided by the contracts, being the amount of the Branch's share of the fair value of the underlying items less fulfilment cash flows that do not vary based on the returns on underlying items.

The Branch provides investment services under these contracts by promising an investment return based on underlying items, in addition to insurance coverage.

When measuring a group of contracts with direct participation features, the Branch adjusts the fulfilment cash flows for the changes in the obligation to pay policyholders an amount equal to the policyholder's share of the fair value of the underlying items. These changes do not relate to future services and are recognised in profit or loss.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.6 Measurement – insurance contracts not measured under the PAA (continued)

Subsequent measurement (continued)

Insurance contracts with direct participation features (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted mainly for:

- the CSM of any new contracts that are added to the group in the period;
- the change in the amount of the Branch's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:
  - a decrease in the amount of the Branch's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM. The excess is recognised in insurance service expenses and recognised as a loss component in LRC; or
  - an increase in the amount of the Branch's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future service, which adjust the loss component in the LRC and the corresponding amount is recognised in insurance service expenses. If the loss component is reduced to zero, the excess reinstates the CSM.
- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue for service provided in the period.

Changes in fulfilment cash flows not varying based on the return on underlying items that relate to future services include the changes relating to future services specified above for contracts without direct participation features (measured at current discount rates) and changes in the effect of the time value of money and financial risks that do not arise from underlying items — e.g. the effect of financial guarantees.

2.3.7 Measurement – insurance contracts measured under the PAA

The Branch generally uses the PAA to simplify the measurement of groups of contracts in the following circumstances:

- where the coverage period of each contract in the group of contracts is one year or less; or
- the Branch reasonably expects that the resulting measurement of the LRC would not differ materially from the result of applying the accounting policies of contracts not measured under the PAA.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.7 Measurement – insurance contracts measured under the PAA (continued)

Initial measurement

On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received on initial recognition minus any insurance acquisition cash flows allocated to the group at that date, and adjusted for amounts arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group. The Branch has elected the accounting policy choice to defer insurance acquisition cash flows through the LRC.

Subsequent measurement

Subsequently, the carrying amount of the LRC is increased by (i) any premiums received; and (ii) any amortisation of the insurance acquisition cash flows, and decreased by (i) insurance acquisition cash flows paid; (ii) the amount recognised as insurance revenue for coverage provided; and (iii) any investment component paid or transferred to the LIC. On initial recognition of each group of contracts, the Branch expects that the time gap between providing each part of the coverage and the related premium due date is not significant. Accordingly, the Branch has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

If at any time during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Branch recognises a loss in profit or loss and increases the LRC to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) exceed the carrying amount of the LRC as loss component. The fulfilment cash flows are adjusted for the time value of money and the effect of financial risk (using current estimates) if the LIC is also adjusted for the time value of money and the effect of financial risk. In subsequent periods, unless facts and circumstances indicate that the group of contracts is no longer onerous, the loss component is remeasured at each reporting date as the difference between the current estimates of the fulfilment cash flows that relate to remaining coverage (including the risk adjustment for non-financial risk) and the carrying amount of the LRC without loss component.

The Branch recognises the LIC of a group of insurance contracts for the amount of the fulfilment cash flows relating to incurred claims. The fulfilment cash flows are discounted (at current rates) unless the cash flows are expected to be paid in one year or less from the date the claims are incurred.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.8 Reinsurance contracts held

For groups of reinsurance contracts held, the Branch applies the same accounting policies as that applied to insurance contracts without direct participation features, with the following modifications.

The carrying amount of a group of reinsurance contracts held at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Branch measures the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognised in profit or loss.

The risk adjustment for non-financial risk is the amount of risk being transferred by the Branch to the reinsurer.

On initial recognition, the CSM of a group of reinsurance contracts held represents a net cost or net gain on purchasing reinsurance. It is measured as the equal and opposite amount of the total of (a) the fulfilment cash flows, (b) the amount arising from assets or liabilities previously recognised for cash flows related to the group, before the group is recognised, (c) cash flows arising from the contracts in the group at that date and (d) any income recognised in profit or loss because of onerous underlying contracts recognised at that date. However, if any net cost on purchasing reinsurance coverage relates to insured events that occurred before the purchase of the reinsurance, then the Branch recognises the cost immediately in profit or loss as an expense.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.8 Reinsurance contracts held (continued)

The carrying amount of the CSM at each reporting date is the carrying amount at the start of the reporting period, adjusted for:
- the CSM of any new contracts that are added to the group in the period;
- interest accreted on the carrying amount of the CSM during the period, measured at the discount rates determined on initial recognition that are applied to nominal cash flows;
- income recognised in profit or loss in respect of a loss recognised for onerous underlying contracts. A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held for the amount of income recognised;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless the changes result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss for the services received in the period.

<u>Reinsurance of onerous underlying insurance contracts</u>

The Branch adjusts the CSM of the group to which a reinsurance contract held belongs and as a result recognises income when it recognises a loss on initial recognition of onerous underlying contracts, if the reinsurance contract held is entered into before or at the same time as the onerous underlying contracts are recognised. The adjustment to the CSM is determined by multiplying:
- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Branch expects to recover from the reinsurance contracts held.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.8 Reinsurance contracts held (continued)

Reinsurance of onerous underlying insurance contracts (continued)

If the reinsurance contract held covers only some of the insurance contracts included in an onerous group of contracts, then the Branch uses a systematic and rational method to determine a portion of losses recognised on the onerous group of contracts containing the insurance contracts covered by the reinsurance contract held.

A loss-recovery component is established or adjusted in the asset for remaining coverage of reinsurance contracts held, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts held and are excluded from the allocation of reinsurance premiums paid.

Reinsurance contracts held measured under the PAA

The Branch applies the same accounting principles to measure a group of insurance contracts or reinsurance contracts held under the PAA.

If a loss-recovery component is established for a group of reinsurance contracts held measured under the PAA, the Branch adjusts the carrying amount of the asset.

2.3.9 Transition approaches

The Branch adopts both the modified retrospective approach and the fair value approach when it is impracticable to use a full retrospective approach in determining transition amounts at the IFRS 17 transition date.

Contracts measured under the modified retrospective approach

The objective of this approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Branch applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply IFRS 17 retrospectively.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the modified retrospective approach

(i) Contracts with direct participation features

For relevant groups of contracts with direct participation features,

- The Branch determined the CSM (or the loss component) at 1 January 2022 by calculating a proxy for the total CSM for all services to be provided under the group that equal to the fair value of the underlying items at 1 January 2022 minus the fulfilment cash flows at 1 January 2022, adjusted for:
  - amounts charged to policyholders (including charges deducted from the underlying items) before 1 January 2022;
  - amounts paid before 1 January 2022 that would not have varied based on the underlying items;
  - the change in the risk adjustment for non-financial risk caused by the release from risk before 1 January 2022, which was estimated based on an analysis of similar contracts that the Branch issued at 1 January 2022; and
  - insurance acquisition cash flows arising before 1 January 2022 that were allocated to the group.
- If the calculation resulted in a CSM, then the Branch measured the CSM at 1 January 2022 by deducting the CSM related to services provided before 1 January 2022. The CSM related to services provided before 1 January 2022 was determined by comparing the coverage units at 1 January 2022 with the coverage units provided under the group of contracts before that date.
- If the calculation resulted in a loss component, then the Branch adjusted the loss component to zero and increased the LRC excluding the loss component by the same amount at 1 January 2022.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.9 Transition approaches (continued)

Contracts measured under the modified retrospective approach (continued)

(ii) Insurance acquisition cash flows – Modified retrospective approach

Under the modified retrospective approach, the Branch identified any insurance acquisition cash flows arising before 1 January 2022 that did not relate to contracts that had ceased to exist before that date. These cash flows were allocated, using the same systematic and rational method, to:

- groups of contracts recognised at 1 January 2022 (which adjusted the CSM of those groups); and
- groups of contracts expected to be recognised after 1 January 2022 (which were recognised as assets for insurance acquisition cash flows).

Contracts measured under the fair value approach

For the groups of contracts that are measured under the fair value approach, the Branch determined the CSM or loss component of the LRC at 1 January 2022 as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date.

The fair value of groups of contracts is primarily determined by using present value technique from the perspective of a market participant with considerations of the following:

- estimate of future cash flows that a market participant would expect to incur or receive in fulfilling the liabilities;
- time value of money, represented by the risk-free interest rate plus a spread based on the characteristic of the liabilities;
- premiums that a market participant would require for bearing uncertainty inherent in the cash flows in relation to non-financial risks and compensation that a market participant would require to assume the obligations;
- the non-performance risk relating to those liabilities; and
- other factors that a market participant would take into account in the circumstances.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.9 Transition approaches (continued)

<u>Contracts measured under the fair value approach</u> (continued)

For the unobservable inputs, the Branch used the best information available in the circumstances, which might include the Branch's own data.

For all contracts measured under the fair value approach, the Branch used reasonable and supportable information available at 1 January 2022 to determine:
- how to identify groups of contracts;
- whether a contract meets the definition of a contract with or without direct participation features, or investment contract with discretionary participation features; and
- how to identify discretionary cash flows for contracts without direct participation features.

For groups of contracts measured under the fair value approach, the discount rates on initial recognition were determined at 1 January 2022 instead of at the date of initial recognition.

For groups of reinsurance contracts held covering onerous underlying contracts, the Branch established a loss-recovery component at 1 January 2022. The Branch determined the loss-recovery component by multiplying:
- the amount of the loss component that relates to the underlying contracts at 1 January 2022; and
- the percentage of claims on the underlying contracts that the Branch expected to recover from the reinsurance contracts held.

(i) Insurance acquisition cash flows – Fair value approach

The Branch measured an asset for insurance acquisition cash flows under the fair value approach at an amount equal to the insurance acquisition cash flows that it would incur at 1 January 2022 for the rights to obtain:
- recoveries of insurance acquisition cash flows from premiums of contracts issued before 1 January 2022 but not yet recognised at that date, and future contracts that are renewals of such contracts;
- future contracts that are renewals of contracts recognised at 1 January 2022; and
- other future contracts after 1 January 2022 without paying again insurance acquisition cash flows that the Branch has already paid.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.10 Derecognition and contract modification

The Branch derecognises a contract when it is extinguished — i.e. when the specified obligations in the contract expire or are discharged or cancelled.

The Branch also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised. If a contract modification does not result in derecognition, then the Branch treats the changes in cash flows caused by the modification as changes in estimates of fulfilment cash flows.

On the derecognition of a contract in a group of contracts not measured under the PAA:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows that relate to future service, except where such changes are allocated to a loss component; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group.

If a contract is derecognised because it is transferred to third party, then the CSM is also adjusted for the premium charged by the third party, unless the contract is onerous.

If a contract is derecognised because its terms are modified, then the CSM is also adjusted for the premium that would have been charged had the Branch entered into a contract with the new contract’s terms at the date of modification, less any additional premium charged for the modification. The new contract recognised is measured assuming that, at the date of modification, the issuer received the premium that it would have charged less any additional premium charged for the modification.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.11 Presentation

Portfolios of insurance contracts and reinsurance contracts held in an asset position are presented separately from those in a liability position. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Any assets recognised for insurance acquisition cash flows arising before the recognition of the related group of insurance contracts are included in the carrying amount of the related portfolios of insurance contracts. Any assets or liabilities for cash flows arising before the recognition of the related group of reinsurance contracts held are included in the carrying amount of the related portfolios of reinsurance contracts held.

The Branch disaggregates amounts recognised in the income statement and the statement of comprehensive income into (a) an insurance service result, comprising insurance revenue and insurance service expenses, and (b) insurance finance income or expenses.

Income and expenses from reinsurance contracts held are presented separately from income and expenses from insurance contracts. Income and expenses from reinsurance contracts held, other than insurance finance income or expenses, are presented on a net basis as “net expenses from reinsurance contracts held” in the insurance service result.

The Branch does not disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk are included in the insurance service result.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.11 Presentation (continued)

Insurance revenue and insurance service expenses exclude any investment components and are recognised as follows.

(i) Insurance revenue — insurance contracts not measured under the PAA

The Branch recognises insurance revenue as it satisfies its performance obligations — i.e. as it provides services under groups of contracts. For contracts not measured under the PAA, the insurance revenue relating to services provided for each period represents the total of the changes in the LRC that relate to services for which the Branch expects to receive consideration, but excludes expected investment components and mainly comprises the following items:

- A release of the CSM, measured based on coverage units provided;
- Changes in the risk adjustment for non-financial risk relating to current services;
- Claims and other insurance service expenses incurred in the period, measured at the amounts expected at the beginning of the period; and
- Other amounts, including experience adjustments for premium receipts for current or past services and amounts related to incurred policyholder tax expenses.

For insurance acquisition cash flows recovery, the Branch allocates a portion of premiums related to the recovery in a systematic way based on the passage of time over the expected coverage of a group of contracts. The allocated amount is recognised as insurance revenue with the same amount recognised as insurance service expenses.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.11 Presentation (continued)

(ii) Release of the CSM — insurance contracts not measured under the PAA

The amount of the CSM of a group of insurance contracts that is recognised as insurance revenue in each reporting period is determined by identifying the coverage units in the group, allocating the CSM remaining at the end of the reporting period (before any allocation) equally to each coverage unit provided in the current period and expected to be provided in future periods, and recognising in profit or loss the amount of the CSM allocated to coverage units provided in the current period. The number of coverage units is the quantity of services provided by the contracts in the group, determined considering for each contract the quantity of benefits provided and its expected coverage period.

(iii) Insurance revenue — insurance contracts measured under the PAA

For contracts measured under the PAA, the insurance revenue for each period is the amount of expected premium for providing services in the period. The Branch allocates the expected premium to each period on the following bases:

- the passage of time; or
- the expected timing of incurred insurance service expenses, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time.

(iv) Loss components — insurance contracts not measured under the PAA

For contracts not measured under the PAA, the Branch establishes a loss component of the LRC for onerous groups of contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently excluded from insurance revenue when they occur. When the fulfilment cash flows occur, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

Changes in estimates of fulfilment cash flows relating to future services and changes in the Branch’s share of the fair value of underlying items are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates or reinstates the CSM for the group of contracts.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.11 Presentation (continued)

(v) Insurance service expenses

Insurance service expenses arising from insurance contracts are recognised in profit or loss generally as they are incurred. They exclude repayments of investment components and mainly comprise the following items:

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: for contracts not measured under the PAA, this is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows. For contracts measured under the PAA, the Branch amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

(vi) Net expenses from reinsurance contracts held

Net expenses from reinsurance contracts held mainly comprise an allocation of reinsurance premiums paid less amounts recovered from reinsurers.

The Branch recognises an allocation of reinsurance premiums paid as reinsurance expenses within net expenses from reinsurance contracts held for the coverage or other services received by the Branch under groups of reinsurance contracts held. For contracts not measured under the PAA, the allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Branch expects to pay consideration.

For contracts measured under the PAA, the allocation of reinsurance premiums paid for each period is the amount of expected premium payments for receiving services in the period.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.11 Presentation (continued)

(vi) Net expenses from reinsurance contracts held (continued)

For a group of reinsurance contracts held covering onerous underlying contracts, the Branch establishes a loss-recovery component of the asset for remaining coverage to depict the recovery of losses recognised:

- on recognition of onerous underlying contracts, if the reinsurance contract held covering those contracts is entered into before or at the same time as those contracts are entered into; and
- for changes in fulfilment cash flows of the group of reinsurance contracts held relating to future services that result from changes in fulfilment cash flows of the onerous underlying contracts.

(vii) Insurance finance income or expenses

Insurance finance income or expenses comprise changes in the carrying amounts of groups of insurance contracts and reinsurance contracts held arising from the effects of the time value of money, financial risk and changes therein. This includes changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals).

For certain portfolios, the Branch has chosen to disaggregate insurance finance income or expenses between profit or loss and other comprehensive income. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined as follows:

- Contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders: for insurance finance income or expenses arising from the estimates of future cash flows, using either a rate that allocates the remaining revised expected insurance finance income or expenses over the remaining duration of the group of contracts at a constant rate (i.e. the effective yield) or an allocation that is based on the amounts credited in the period and expected to be credited in future periods; and for insurance finance income or expenses arising from the CSM, the discount rates determined on initial recognition of the group of contracts. This selection of the rate applied is based on the characteristics of contracts.

2. Material accounting policies (continued)

2.3 Insurance contracts and reinsurance contracts held (continued)

2.3.11 Presentation (continued)

(vii) Insurance finance income or expenses (continued)

- Contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholders: the discount rates determined on initial recognition of the group of contracts.

Amounts presented in other comprehensive income are accumulated in the insurance finance reserve. If the Branch derecognises a contract without direct participation features as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated other comprehensive income for the contract are reclassified to profit or loss.

The Branch presents insurance finance income or expenses for all other contracts in profit or loss.

2.4 Financial instruments

2.4.1 Classification and designation of financial instruments

On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, unless the Branch changes its business model for managing financial assets in which case all affected financial assets are reclassified at the beginning of the reporting period during which the business model has changed.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. Material accounting policies (continued)

2.4 Financial instruments (continued)

2.4.1 Classification and designation of financial instruments (continued)

A debt security is measured at fair value through other comprehensive income if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity security that is not held for trading, the Branch may irrevocably elect to present subsequent changes in fair value in other comprehensive income on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. In addition, on initial recognition the Branch may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

<u>Financial assets and liabilities at fair value through profit or loss</u>

Financial assets and liabilities at fair value through profit or loss comprise two categories:

- financial assets or liabilities mandatorily classified as at fair value through profit or loss; and
- financial assets or liabilities designated at fair value through profit or loss upon initial recognition.

Management designates financial assets and liabilities at fair value through profit or loss if this eliminates a measurement or recognition inconsistency or if the liabilities are actively managed on a fair value basis, including among others debt securities held in participating funds.

Dividend income from equity instruments measured at fair value through profit or loss is recognised in other investment return in the income statement, generally when the security becomes ex-dividend. Interest revenue is recognised on an accrued basis. For all financial assets and liabilities measured at fair value through profit or loss, changes in fair value are recognised in profit or loss as part of net investment result.

Transaction costs in respect of financial assets and liabilities at fair value through profit or loss are expensed as they are incurred.

2. Material accounting policies (continued)

2.4 Financial instruments (continued)

2.4.1 Classification and designation of financial instruments (continued)

Financial assets at fair value through other comprehensive income

These principally consist of the Branch's debt securities (other than those backing participating funds and unit-linked contracts). These financial assets are initially recognised at fair value plus attributable transaction costs and are subsequently measured at fair value. The difference between their cost and par value is amortised. Interest revenue is recognised in investment return in the income statement using the effective interest method.

Unrealised gains and losses on securities are analysed between differences resulting from foreign currency translation, and other fair value changes. Foreign currency translation differences are calculated as if they were carried at amortised cost and so are recognised in the income statement as other investment return. For impairments, reference is made to the section "Impairment of financial assets" in Note 19.

Changes in the fair value of securities, except for impairment losses and relevant foreign exchange gains and losses, are recognised in other comprehensive income. Impairment losses and relevant foreign exchange gains and losses are recognised in the income statement.

Realised gains and losses on financial assets

Realised gains and losses on financial assets measured at fair value through profit or loss excludes any interest revenue or dividend income.

Realised gains and losses on financial assets measured at fair value through other comprehensive income are determined as the difference between the sale proceeds and its original cost or amortised cost as appropriate. Amortised cost is determined by specific identification.

Recognition of financial instruments

Purchases and sales of financial instruments are recognised on the trade date, which is the date at which the Branch commits to purchase or sell the assets.

2. Material accounting policies (continued)

2.4 Financial instruments (continued)

2.4.1 Classification and designation of financial instruments (continued)

Derecognition, contract modification and offset

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Branch has transferred substantially all risks and rewards of ownership. If the Branch neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, it derecognises the financial asset if it no longer has control over the asset. In transfers where control over the asset is retained, the Branch continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Branch is exposed to changes in the fair value of the asset.

Financial liabilities are generally derecognised when their contractual obligations expire or are discharged or cancelled. Notwithstanding, when, and only when, the Branch repurchases its financial liability and includes it as underlying items of contracts with direct participation features, the Branch may elect not to derecognise the financial liability. Instead, the Branch may elect to continue to account for that instrument as a financial liability and to account for the repurchased instrument as if it were a financial asset and measure it at fair value through profit or loss. This election is irrevocable and is made on an instrument-by-instrument basis.

If the terms of a financial instrument are modified, then the Branch evaluates whether the cash flows of the modified financial instrument are substantially different. If the cash flows are substantially different, in which case, a new financial instrument based on the modified terms is recognised at fair value. If a financial instrument measured at amortised cost is modified but not substantially, then it is not derecognised.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2. Material accounting policies (continued)

2.4 Financial instruments (continued)

2.4.1 Classification and designation of financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments held for cash management purposes, which have maturities at acquisition of three months or less, or are convertible into known amounts of cash and subject to insignificant risk of changes in value. Cash and cash equivalents also include cash received as collateral for derivative transactions, and repo and reverse repo transactions, as well as cash and cash equivalents held for the benefit of policyholders in connection with unit-linked products. Cash and cash equivalents that are not mandatorily measured at fair value through profit or loss are measured at amortised cost using the effective interest method.

Financial assets measured at amortised cost

Other than cash and cash equivalents, financial assets measured at amortised cost primarily include loans and deposits, and receivables. These financial assets are initially recognised at fair value plus transaction costs. Subsequently, they are carried at amortised cost using the effective interest method less any impairment losses.

2.4.2 Fair values of non-derivative financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, having regard to the specific characteristics of the asset or liability concerned, assuming that the transfer takes place in the most advantageous market to which the Branch has access. The fair values of financial instruments traded in active markets (such as financial instruments at fair value through profit or loss and fair value through other comprehensive income) are based on quoted market prices at the date of the statement of financial position. The quoted market price used for financial assets held by the Branch is the current bid price, which is considered to be the price within the bid-ask spread that is most representative of the fair value in the circumstances.

The fair values of financial instruments that are not traded in active markets are determined using valuation techniques. The Branch uses a variety of methods and makes assumptions that are based on market conditions at the date of each statement of financial position. The objective of using a valuation technique is to estimate the price at which an orderly transaction would take place between market participants at the date of the statement of financial position.

2. Material accounting policies (continued)

2.4 Financial instruments (continued)

2.4.2 Fair values of non-derivative financial instruments (continued)

Financial instruments carried at fair value are measured using a fair value hierarchy described in Note 15.

2.4.3 Impairment of financial assets

The Branch recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. Loss allowances are measured at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- financial assets that are determined to have low credit risk at reporting date; and
- financial assets (other than trade receivables or lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables and lease receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECL are the ECL that result from possible default events over the expected life of the financial instrument, whereas 12-month ECL are the portion of ECL that results from default events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating ECL is the maximum contractual period over which the Branch is exposed to credit risk.

ECL are a probability-weighted estimate of credit losses and are measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Branch expects to receive; and
- other financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

Loss allowances for ECL of financial assets measured at amortised cost are deducted from the gross carrying amount of the assets, and loss allowances for debt securities measured at fair value through other comprehensive income are recognised in other comprehensive income and do not reduce the carrying amount of the financial assets in the statement of financial position.

2. Material accounting policies (continued)

2.4 Financial instruments (continued)

2.4.3 Impairment of financial assets (continued)

The gross carrying amount of financial assets is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Branch determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Branch's procedures for recovery of amounts due.

2.4.4 Derivative financial instruments

Derivative financial instruments primarily include forward exchange contracts that derive their value mainly from underlying foreign exchange rates. All derivatives are initially recognised in the statement of financial position at their fair value, which represents their cost excluding transaction costs, which are expensed. They are subsequently remeasured at their fair value, with movements in this value recognised in profit or loss. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

Whilst the Branch enters into derivative transactions to provide economic hedges under the Branch's risk management framework, it does not currently apply hedge accounting to these transactions. This is either because the transactions would not meet the specific IFRS rules to be eligible for hedge accounting or the documentation requirements to meet hedge accounting criteria would be unduly onerous. These transactions are therefore treated as held for trading and fair value movements are recognised immediately in profit or loss.

2.5 Presentation of the statement of financial position

The Branch's insurance contract liabilities and related assets are realised and settled over periods of several years, reflecting the long-term nature of the Branch's products. Accordingly, the Branch presents the assets and liabilities in its statement of financial position in approximate order of liquidity, rather than distinguishing current and non-current assets and liabilities. The Branch regards its property and equipment as non-current assets as these are held for the longer-term use of the Branch.

2. Material accounting policies (continued)

2.6 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of the Branch are measured using the currency of the primary economic environment in which the entity operates (“functional currency”).

The financial statements of the Branch are presented in Brunei dollars, which is the Branch’s functional currency.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency exchange differences resulting 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.

2.7 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 substantively 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. It 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 and liability that affects neither accounting nor taxable profit or loss at the time of the transaction.

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

2. Material accounting policies (continued)

2.7 Income taxes (continued)

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 substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Branch 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 expense in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity or in other comprehensive income.

2.8 Property and equipment

(*a*) *Measurement*

(*i*) *Property and equipment*

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

(ii) Components of costs

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.

(*b*) *Depreciation*

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
Property held for own use - Leasehold buildings	5 to 11 years
Furniture, fittings, fixtures and equipment	5 to 10 years
Computer equipment	3 years

Assets under construction included in property and equipment are not depreciated as these assets are not yet available for use.

2. Material accounting policies (continued)

2.8 Property and equipment (continued)

(*b*) *Depreciation* (continued)

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

(c) Subsequent expenditure

Subsequent expenditure relating to property and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits associated with the item will flow to the Branch 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.

2.9 Provisions and contingencies

Provisions are recognised when the Branch 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 a reliable estimate of the amount of the obligation can be made.

Contingencies are disclosed if material and if there is a possible future obligation as a result of past event, or if there is a present obligation as a result of a past event, but either a payment is not probable or the amount cannot be reliably estimated.

2.10 Employee compensation

(*a*) *Defined contribution plans*

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

(b) Annual leave and long service leave

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

2. Material accounting policies (continued)

2.10 Employee compensation (continued)

(c) Share-based compensation

The ultimate holding company, AIA Group Limited ("AIAGL"), launched a number of share-based compensation plans, under which the Branch receives services from the agents, employees, directors and officers as consideration for the shares and/or share options of AIAGL. These share-based compensation plans comprise the Share Option Scheme ("SO Scheme"), the Restricted Share Unit Scheme ("RSU Scheme"), the Employee Share Purchase Plan ("ESPP"), and the Agency Share Purchase Plan ("ASPP").

The AIAGL's share compensation plans offered to the Branch's employees and agents are predominantly equity-settled plans. Under equity-settled share-based compensation plan, the fair value of the services received in exchange for the grant of AIAGL's shares and/or share options is recognised as an expense in profit or loss over the vesting period with a corresponding amount recorded in Other Reserves.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share and/or options awarded. Non-market vesting conditions are included in assumptions about the number of shares and/or options that are expected to be vested. At each period end, the Branch revises its estimates of the number of shares and/or options that are expected to be vested. Any impact of the revision to original estimates is recognised in profit or loss with a corresponding adjustment to Other Reserves. Where awards of share-based payment arrangements have graded vesting terms, each tranche is recognised as a separate award, and therefore the fair value of each tranche is recognised over the applicable vesting period.

The Branch estimates the fair value of share options using a binomial lattice model. This model requires inputs such as share price, implied volatility, risk free interest rate, expected dividend rate and the expected life of the share option.

Where modification or cancellation of an equity-settled share-based compensation plan occurs, the grant date fair value continues to be recognised, together with any incremental value arising on the date of modification if non-market conditions are met.

2.11 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Branch prior to the end of financial year which are unpaid. Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost, using the effective interest method.

2. Material accounting policies (continued)

2.12 Leases

(a) *When the Branch is the lessee*

At the inception of the contract, the Branch 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.

(i) Right-of-use assets

The Branch recognises a right-of-use asset (“ROU assets”) 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 are presented within “Property and equipment” (Note 11).

(ii) Lease liabilities

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in the Branch’s assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is 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. The interest in respect of lease liabilities is recognised as interest expense on lease liabilities.

2. Material accounting policies (continued)

2.12 Leases (continued)

(a) *When the Branch is the lessee* (continued)

(iii) Short-term and low-value assets

The Branch 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 leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2.13 Related party transactions

Transactions with related parties are recorded at amounts mutually agreed and transacted between the parties to the arrangement.

2.14 Impairment of non-financial assets

Property and equipment (including property held for own use – leasehold buildings)

Property and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, 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 unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease to the extent it offsets previously recognised revaluation increases in that asset.

An impairment loss for an asset is reversed only if, there has been a change in the asset’s estimated recoverable amount since the last impairment loss was recognised. The carrying amount 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 depreciation) had no impairment loss been recognised for the asset in prior years.

2. Material accounting policies (continued)

2.14 Impairment of non-financial assets (continued)

A reversal of impairment loss is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

2.15 Transfers to Head Office

Transfers to Head Office are recognised when the transfers are approved for payment.

3. Interpretations and amendments to published standards

Standards issued but not yet effective

The Branch has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to:	
- *IAS 1 Presentation of Financial Statements (Classification of Liabilities as Current or Non-current)*	*1 January 2024*
- *IAS 1 Presentation of Financial Statements (Non-current Liabilities with Covenants)*	
- *IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures (Supplier Finance Arrangement)*	
- *IFRS 16 Leases (Lease liability in Sale and Leaseback*	
Amendments to:	
- *IAS 21 The Effects of Changes in Foreign Exchange Rates (Lack of Exchangeability)*	*1 January 2025*

The new or amended accounting Standards and Interpretations listed above are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Branch. These are not expected to have a material impact on the Branch in the current or future reporting periods and on foreseeable future transactions.

4. Critical accounting estimates, assumptions and judgements

The Branch makes estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. All estimates are based on management's knowledge of current facts and circumstances. Assumptions are based on that knowledge and predictions of future events and actions. Actual results can differ from those estimates.

Items and the relevant accounting policies that are considered particularly sensitive to changes in estimates and assumptions are described as follows.

4.1 Level of aggregation and recognition of group of insurance contracts

For contracts issued to which the Branch does not apply the premium allocation approach, the judgements exercised in determining whether contracts are onerous on initial recognition or those that have no significant possibility of becoming onerous subsequently are:

- based on the likelihood of changes in assumptions which, if they occurred, would result in the contracts becoming onerous; and
- using information about profitability estimation for the relevant group of products.

The accounting policy on level of aggregation and recognition of group of insurance contracts is described in Note 2.3.3.

4.2 Measurement of insurance contracts not measured under the premium allocation approach

The asset or liability for groups of insurance contracts is measured as the total of fulfilment cash flows and CSM.

The fulfilment cash flows of insurance contracts represents the present value of estimated future cash outflows, less the present value of estimated future cash inflows and adjusted for a provision for the risk adjustment for non-financial risk. The assumptions used and the techniques for estimating fulfilment cash flows and risk adjustment for non-financial risk are based on actual experience of the market and policy form. The Branch exercises significant judgement in making appropriate assumptions and techniques.

CSM represents the unearned profits that the Branch will recognise as it provides services under the insurance contracts in a group. The amounts of CSM recognised in profit or loss are determined by identifying the coverage units in the group, allocating the CSM at the end of period equally to each coverage unit provided in the current period and expected to be provided in the future. The number of coverage units in a group is the quantity of the services provided by the contracts in the group, determined by considering for each contract the quantity of the services provided under a contract and its expected coverage period. The Branch exercises judgements in determining the quantity of the services provided under a contract which will affect the amounts recognised in the financial statements as insurance revenue from insurance contracts issued.

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

4.2 Measurement of insurance contracts not measured under the premium allocation approach (continued)

The judgements exercised in the valuation of insurance contracts affect the amounts recognised in the financial statements as assets or liabilities of insurance contracts. Further details of the related accounting policies, key risk and variables, and the sensitivities of assumptions to the key variables in respect of insurance contracts are provided in Note 2.3, Note 19 and Note 22.

4.3 Determination of coverage unit

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

The quantity of services provided by insurance contracts could include insurance coverage, investment-return service and investment-related service, as applicable. In assessing the services provided by insurance contracts, the terms and benefit features of the contracts are considered.

For contracts providing predominately insurance coverage, the quantity of services is determined for the contract as a whole based on the expected maximum benefits less investment component. For contracts providing multiple services, the quantity of services is determined based on the benefits provided to policyholder for each service with the relative weighting considered in the calculation through the use of factors. Relevant elements are considered in determining the quantity of service including among others, benefit payments and premiums. The Branch applies judgement in these determinations.

Expected coverage period is derived based on the likelihood of an insured event occurring to the extent they affect the expected duration of contracts in the group. Determining the expected coverage period is judgemental since it involves making an expectation of when claims and lapse will occur.

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

4.4 Transition to IFRS 17

The Branch applied IFRS 17 for annual reporting period beginning on 1 January 2023. The Branch has determined that it was impracticable to apply the full retrospective approach for some groups of contracts because certain historical information was not available or was not available without undue cost or effort that would enable it to be used under this approach. Therefore, the Branch applied the modified retrospective or fair value approaches for these groups of contracts. The Branch exercises judgements in determining the transition approaches, applying the transition methods and measuring the transition impacts on the transition date, which will affect the amounts recognised in the financial statements on the transition date. Further details of the related accounting policies and information on the date of initial adoption are provided in Note 2.3.9 and Note 26.

4.5 Fair value measurement

(a) Fair values of financial assets

The Branch determines the fair values of financial assets traded in active markets using quoted bid prices as of each reporting date. The fair values of financial assets that are not traded in active markets are typically determined using a variety of other valuation techniques, such as prices observed in recent transactions and values obtained from current bid prices of comparable investments. More judgement is used in measuring the fair value of financial assets for which market observable prices are not available or are available only infrequently.

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established and the characteristics specific to the transaction and general market conditions.

Further details of the fair value of financial assets and the sensitivity analysis to equity prices and interest rates are provided in Note 15 and Note 22(B)(e) respectively.

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

4.6 Impairment of financial assets

The Branch recognises loss allowances for ECL on financial assets measured at amortised cost and debt securities measured at fair value through other comprehensive income. The measurement of ECL requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Details of the inputs, assumptions and estimation techniques used for estimating ECL are further explained in Note 18.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:
- Determining criteria for significant increase in credit risk since initial recognition;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing the methodology for incorporating forward-looking information into the measurement of ECL.

4.7 Uncertain tax positions

In determining the income tax liabilities, management has estimated the amount of taxable income and the deductibility of certain expenses ("uncertain tax positions") in the relevant tax jurisdiction. This involves a degree of estimation and judgment in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the tax authority.

The Branch has open tax assessments with the tax authority at the balance sheet date and has recognised an additional tax liability on these uncertain tax positions.

4.8 Critical judgement over the lease terms

As at 31 December 2023, the Branch's lease liabilities, which are measured with reference to an estimate of the lease term, amounted to B$2,029,707 (2022: B$2,121,820), of which B$1,420,683 (2022: B$1,420,683) arose from extension options. Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option.

For leases of office space, the following factors are considered to be most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Branch typically includes the extension option in lease liabilities;
- Otherwise, the Branch considers other factors including its historical lease periods for similar assets, costs required to obtain replacement assets, and business disruptions.

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

4.8 Critical judgement over the lease terms (continued)

The extension options for certain equipment have not been included in lease liabilities because the Branch could replace the assets without significant cost or business disruption.

The assessment of reasonably certain to exercise extension options is only revised if a significant change in circumstances occurs that is within the control of the lessee. During the current financial year, there is no significant change in the assessment.

As at 31 December 2023, potential future (undiscounted) cash outflows of approximately B$365,009 (2022: B$69,120) have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

5. Profit after tax

The Branch has the following insurance funds. These insurance funds offer a variety of products and services, which are accounted for under different standards and measurement models, as set out below. The Branch does not issue any reinsurance contracts.

Insurance funds	Products and services	Measurement
Participating funds	Traditional participating and variable annuity	Variable fee approach under IFRS 17
Unit-linked	Unit-linked and other investment-linked contracts	Variable fee approach under IFRS 17
Other policyholders	Term assurance, critical illness, non-participating whole-life and immediate fixed annuity contracts.	General model under IFRS 17 except for some insurance contracts where the permitted PAA simplification is applied

B$	Participating funds	Unit-linked	Other policyholders and shareholder	Total
Year ended 31 December 2023				
Insurance revenue	5,324,733	2,253,272	16,321,175	23,899,180
Insurance service expenses	(4,582,655)	(1,413,787)	(9,924,692)	(15,921,134)
Net expenses from reinsurance contracts held	(224,645)	(57,299)	(744,808)	(1,026,752)
Insurance service result	**517,433**	**782,186**	**5,651,675**	**6,951,294**
Investment return				
- Participating and unit-linked	20,670,277	627,731	-	21,298,008
- Others	-	-	6,709,532	6,709,532
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(16,356,741)	179,285	66,980	(16,110,476)
Net investment result	**4,313,536**	**807,016**	**6,776,512**	**11,897,064**
Fee income and other operating revenue	1,286	634	827	2,747
Other expenses	(382,079)	(1,075,883)	(840,098)	(2,298,060)
Other finance costs	(30,707)	(6,995)	(17,605)	(55,307)
Profit before tax	**4,419,469**	**506,958**	**11,571,311**	**16,497,738**
Tax on profit before tax	(2,516,568)	-	(1,721,205)	(4,237,773)
Profit after tax	**1,902,901**	**506,958**	**9,850,106**	**12,259,965**

5. Profit after tax (continued)

B$	Participating funds	Unit-linked	Other policyholders and shareholder	Total
Year ended 31 December 2022				
Insurance revenue	4,970,584	1,822,628	16,673,927	23,467,139
Insurance service expenses	(3,091,499)	(1,133,785)	(10,303,459)	(14,528,743)
Net expenses from reinsurance contracts held	(304,888)	(51,561)	(345,321)	(701,770)
Insurance service result	**1,574,197**	**637,282**	**6,025,147**	**8,236,626**
Investment return				
- Participating and unit-linked	(64,727,690)	(23,877,789)	-	(88,605,479)
- Others	-	-	5,671,714	5,671,714
Net finance expenses from insurance contracts and reinsurance contracts held	66,470,530	25,037,196	180,265	91,687,991
Net investment result	**1,742,840**	**1,159,407**	**5,851,979**	**8,754,226**
Fee income and other operating revenue	2,201	4,030	1,710	7,941
Other expenses	(671,720)	(1,448,270)	(891,201)	(3,011,191)
Other finance costs	(28,932)	(7,131)	(17,853)	(53,916)
Profit before tax	**2,618,586**	**345,318**	**10,969,782**	**13,933,686**
Tax on profit before tax	3,674,669	-	1,485,962	5,160,631
Profit after tax	**6,293,255**	**345,318**	**12,455,744**	**19,094,317**

6. Insurance revenue

	2023 **B$**	2022 (restated) B$
Contracts not measured under the PAA		
Amounts related to changes in liabilities for remaining coverage		
Contractual service margin recognised for services provided	**4,756,210**	5,414,080
Change in risk adjustment for non-financial risk for risk expired	**120,898**	252,224
Expected incurred claims and other insurance service expenses	**7,540,555**	8,698,274
Others	**1,484,296**	654,154
Recovery of insurance acquisition cash flows	**1,842,053**	2,511,289
	15,744,012	17,530,021
Contracts measured under the PAA	**8,155,168**	5,937,118
Total insurance revenue	**23,899,180**	23,467,139
Represented by:		
Contracts under the modified retrospective approach	**56,932**	51,404
Contracts under fair value approach	**9,287,074**	4,218,310
Other contracts	**14,555,174**	19,197,425

7. Net investment result

The Branch's net investment result in the income statement and other comprehensive income

	2023	2022 (restated)
	B$	B$
Investment return		
Interest revenue on financial assets	**16,570,266**	15,350,939
Other investment return	**11,473,594**	(98,189,224)
Net impairment loss on financial assets	**(36,320)**	(95,480)
Amounts recognised in income statement	**28,007,540**	(82,933,765)
Amounts recognised in other comprehensive income (Note 21(b)(i))	**8,601,252**	(23,210,373)
Total investment return	**36,608,792**	(106,144,138)
Net finance (expenses)/income from insurance contracts		
Changes in fair value of underlying items of contracts with direct participation features	**(20,268,955)**	90,040,228
Interest accreted	**99,673**	(229,005)
Effect of changes in interest rates and other financial assumptions	**3,322,560**	(2,819,219)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**24,342**	(90,096)
Net foreign exchange gains	**3,256,162**	1,271,986
Total net finance (expenses)/income from insurance contracts	**(13,566,218)**	88,173,894
Net finance income/(expenses) from reinsurance contracts held		
Interest accreted	**388,158**	267,918
Effect of changes in interest rates and other financial assumptions	**922,025**	(1,440,878)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	**22,685**	(48,849)
Net foreign exchange gains	**282**	830
Total net finance income/(expenses) from reinsurance contracts held	**1,333,150**	(1,220,979)
Net investment result	**24,375,724**	(19,191,223)
Net investment result is represented by:		
Amounts recognised in income statement	**11,897,064**	8,754,226
Amounts recognised in other comprehensive income	**12,478,660**	(27,945,449)
Total net investment income/(expense)	**24,375,724**	(19,191,223)
Net finance (expenses)/income from insurance contracts are represented by:		
Amounts recognised in income statement	**(16,405,482)**	91,396,724
Amounts recognised in other comprehensive income (Note 21(b)(ii))	**2,839,264**	(3,222,830)
Total finance (expenses)/income from insurance contracts	**(13,566,218)**	88,173,894
Net finance income/(expenses) from reinsurance contracts held are represented by:		
Amounts recognised in income statement	**295,006**	291,267
Amounts recognised in other comprehensive income (Note 21 (b)(ii))	**1,038,144**	(1,512,246)
Total net finance income/(expenses) from reinsurance contracts held	**1,333,150**	(1,220,979)

7. Net investment result (continued)

	2023 B$	2022 (restated) B$
Interest revenue on financial assets		
Financial assets measured at amortised cost	**329,460**	410,030
Financial assets measured at fair value through other comprehensive income	**5,417,432**	4,835,824
Financial assets designated at fair value through profit or loss	**10,322,029**	9,587,708
Financial assets measured mandatorily at fair value through profit or loss	**501,345**	517,377
Total interest revenue on financial assets	**16,570,266**	15,350,939
Other investment return		
Dividend income	**1,957,335**	1,728,322
Net losses of financial assets not at fair value through profit or loss		
Net realised losses of debt securities measured at fair value through other comprehensive income	**(87,048)**	(566,151)
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss		
Net gains/(losses) of debt securities	**11,782,739**	(45,440,846)
Net gains/(losses) of financial instruments mandatorily at fair value through profit or loss		
Net losses of debt securities	**(73,033)**	(1,205,266)
Net gains/(losses) of equity shares	**781,621**	(50,803,943)
Net fair value movement on derivatives	**(6,044)**	(63)
Net gains/(losses) in respect of financial instruments at fair value through profit or loss	**12,398,235**	(98,016,269)
Net foreign exchange losses	**(2,881,976)**	(1,901,277)
Total other investment return	**11,473,594**	(98,189,224)

Foreign currency movements resulted in the following losses recognised in the income statement (other than gains and losses arising on items measured at fair value through profit or loss):

	2023 B$	2022 (restated) B$
Foreign exchange losses	**(2,881,976)**	(1,901,277)

On transition to IFRS 17, for certain groups of contracts that the Branch applies the fair value approach, the cumulative insurance finance income or expenses recognised in other comprehensive income at 1 January 2022 was determined to be zero.

7. Net investment result (continued)

For those groups of contracts, the movement in the fair value reserve for the debt securities at fair value through other comprehensive income was as follows:

	2023	2022 (restated)
	B$	B$
Balance at 1 January	**(6,051,158)**	5,662,412
Net change in fair value and others	**4,726,900**	(12,020,875)
Net amount reclassified to profit or loss	**43,132**	307,305
Balance at 31 December	**(1,281,126)**	(6,051,158)

8. Insurance service and other expenses

	2023	2022 (restated)
	B$	B$
Claims and benefits	**6,131,415**	7,486,060
Commissions and other acquisition expenses incurred	**10,372,194**	11,380,829
Losses on onerous insurance contracts	**(44,662)**	(8,134)
Employee benefit expenses	**1,678,336**	1,688,453
Depreciation (Note 11)	**605,219**	522,761
Investment management expenses	**2,281,718**	2,346,113
Service fees	**4,641,600**	4,610,225
Interest expense on lease liabilities (Note 12(c))	**55,307**	53,916
Other operating expenses	**1,070,173**	1,013,686
	26,791,300	29,093,909
Amounts attributed to insurance acquisition cash flows	**(12,560,262)**	(15,152,944)
Amortisation of insurance acquisition cash flows	**3,953,235**	3,652,885
Net impairment loss on assets for insurance acquisition cash flows	**90,228**	-
Insurance service and other expenses	**18,274,501**	17,593,850

8. Insurance service and other expenses (continued)

Insurance service and other expenses represented by:

	2023	2022 (restated)
	B$	B$
Insurance service expenses		
- Contracts not measured under the PAA	**10,560,018**	9,643,615
- Contracts measured under the PAA	**5,361,116**	4,885,128
	15,921,134	14,528,743
Other incurred expenses directly attributable to reinsurance contracts held	**(112,673)**	(100,326)
Other expenses	**2,466,040**	3,165,433
Total	**18,274,501**	17,593,850

Depreciation consists of:

	2023	2022
	B$	B$
Computer hardware, fixtures and fittings and others	**220,853**	188,473
Right-of-use assets (Note 12(b))	**384,366**	334,288
	605,219	522,761

Employee benefit expenses consist of:

	2023	2022
	B$	B$
Wages and salaries	**1,461,585**	1,484,741
Employer's contribution to defined contribution plans including Tabung Amanah Pekerja	**112,003**	96,465
Other staff benefits	**42,884**	48,236
Share-based compensation	**61,864**	59,011
	1,678,336	1,688,453

Key management personnel compensation is as follows:

	2023	2022
	B$	B$
Salaries and other short-term employee benefits	**283,013**	265,747
Share-based compensation	**38,696**	34,295
	321,709	300,042

9. Income tax

Income tax expense/(credit)

	2023	2022 (restated)
	B$	B$
Tax expense/(credit) attributable to results is made up of:		
- Deferred income tax (Note 10)	**4,215,124**	(4,840,481)
- Withholding tax	**24,497**	22,259
	4,239,621	(4,818,222)
Over provision in prior financial years		
- Current income tax	**-**	(342,409)
- Deferred income tax	**(1,848)**	-
	4,237,773	(5,160,631)
Profit before tax	**16,497,738**	13,933,686
Tax calculated at a tax rate of 18.5% (2022: 18.5%)	**3,052,082**	2,577,732
Different basis of tax	**1,163,042**	(7,418,213)
Over provision in prior financial years		
- Current income tax	**-**	(342,409)
- Deferred income tax	**(1,848)**	-
Withholding tax	**24,497**	22,259
Total income tax expense/(credit)	**4,237,773**	(5,160,631)

Movements in current income tax liabilities

	2023	2022
	B$	B$
Beginning of financial year	**8,230,256**	12,472,382
Income tax paid	**(24,497)**	(3,921,976)
Tax payable on profit		
- Over provision in prior financial years	**-**	(342,409)
- Withholding tax	**24,497**	22,259
At end of financial year	**8,230,256**	8,230,256

10. Deferred income taxes

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:

Deferred tax assets

	2023	2022
	B$	B$
Beginning of financial year	**(4,840,481)**	-
Charged/(credited) to profit or loss (Note 9)	**4,215,124**	(4,840,481)
Over provision of deferred tax assets in prior financial years	**(1,848)**	-
End of financial year	**(627,205)**	(4,840,481)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Branch has unutilised tax losses of B$3,390,299 (2022: B$26,164,762) at the balance sheet date. The tax losses will expire on 31 December 2029.

11. Property and equipment

	Note	Property held for own use – Leasehold buildings B$	Furniture, fittings, fixtures and equipment B$	Computer equipment B$	Assets under construction B$	Total B$
2023						
Cost						
Beginning of financial year		3,299,255	1,938,700	171,969	3,964	5,413,888
Additions		289,481	233,052	19,888	-	542,421
Write-off for the year		-	-	-	(3,964)	(3,964)
End of financial year		3,588,736	2,171,752	191,857	-	5,952,345
Accumulated depreciation						
Beginning of financial year		1,252,114	1,029,880	155,813	-	2,437,807
Depreciation charge	8	384,366	209,958	10,895	-	605,219
End of financial year		1,636,480	1,239,838	166,708	-	3,043,026
Net book value						
End of financial year		**1,952,256**	**931,914**	**25,149**	**-**	**2,909,319**
2022						
Cost						
Beginning of financial year		3,364,668	1,690,505	162,789	226,790	5,444,752
Additions		-	22,656	9,180	4,338	36,174
Transfer to/(from)		-	225,539	-	(225,539)	-
Disposals		(65,413)	-	-	-	(65,413)
Write-off for the year		-	-	-	(1,625)	(1,625)
End of financial year		3,299,255	1,938,700	171,969	3,964	5,413,888
Accumulated depreciation						
Beginning of financial year		983,239	852,004	145,216	-	1,980,459
Depreciation charge	8	334,288	177,876	10,597	-	522,761
Disposals		(65,413)	-	-	-	(65,413)
End of financial year		1,252,114	1,029,880	155,813	-	2,437,807
Net book value						
End of financial year		**2,047,141**	**908,820**	**16,156**	**3,964**	**2,976,081**

11. **Property and equipment** (continued)

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 12.

(a) During the current year, there was no modification of lease contracts (2022: nil).

12. Leases – The Branch as a lessee

Property held for own use – Leasehold buildings

The Branch leases office space for the purpose of back-office operations and providing sales and financial advisory services to customers.

There are no externally imposed covenants on these lease arrangements.

(a) Carrying amounts

ROU assets classified within Property and equipment

	2023 **B$**	2022 B$
Property held for own use - Leasehold buildings	**1,952,256**	2,047,141

During the financial year, there were no ROU assets written-off (2022: Nil).

(b) Depreciation charge of ROU assets during the financial year

	2023 **B$**	2022 B$
Property held for own use - Leasehold buildings	**384,366**	334,288

(c) Interest expense

	2023 **B$**	2022 B$
Interest expense on lease liabilities	**55,307**	53,916

(d) Total cash outflow for all leases in 2023 was B$414,486 (2022: B$372,023).

(e) Additions of ROU assets during financial year 2023 amounted to B$289,481 (2022: nil).

12. Leases – The Branch as a lessee (continued)

Property held for own use – Leasehold building (continued)

(f) Future cash outflow which are capitalised in ROU assets

The leases for leasehold building contain extension periods, for which the related lease payments had been included in lease liabilities where the Branch is reasonably certain to exercise the extension option. Majority of the extension options are exercisable by the Branch and not by the lessor.

13. Financial investments

The following tables analyse the Branch's financial investments by type and nature. The Branch manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is wholly borne by our customers and is measured at fair value through profit or loss. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Branch.

Policyholder and shareholder investments are further categorised as participating funds and other policyholder and shareholder. The Branch has elected to separately analyse financial investments held by participating funds within policyholder and shareholder investments as they are subject to local regulations that generally prescribe a minimum proportion of policyholder participation in declared dividends. The Branch measures debt securities, equity shares and interests in investment funds of participating funds at fair value through profit or loss.

Other policyholder and shareholder investments are distinct from unit-linked investments and participating funds as there is not any direct contractual or regulatory requirement governing the amount, if any, for allocation to policyholders. The Branch measures equity shares and interests in investment funds at fair value through profit or loss in this category and at fair value through other comprehensive income in respect of the majority of debt securities in this category. The investment risk from investments in this category directly impacts the Branch's financial statements.

13. Financial investments (continued)

In the following tables, "FVTPL" indicates financial investments classified at fair value through profit or loss, "FVOCI" indicates financial investments classified at fair value through other comprehensive income and "AC" indicates financial investments classified at amortised cost.

Debt securities

In compiling the tables, external ratings have been used in accordance with the Branch's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable.

Credit risk limits are set according to the Branch's credit risk assessment framework, which define the relative risk level of a debt security.

External ratings			
Standard and Poor's	**Moody's**	**Internal ratings**	**Reported as**
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade

Debt securities by type comprise the following:

	Policyholder and shareholder		
	Participating funds	**Other policyholder and shareholder**	
B$	**FVTPL**	**FVOCI**	**Total**
31 December 2023			
Government bonds[1]			
AAA	95,746,115	57,392,280	153,138,395
AA	5,629,958	-	5,629,958
A	3,475,682	-	3,475,682
BBB	12,198,514	2,222,205	14,420,719
Subtotal	**117,050,269**	**59,614,485**	**176,664,754**
Government agency bonds[2]			
AAA	40,668,430	41,330,905	81,999,335
AA	713,224	-	713,224
Subtotal	**41,381,654**	**41,330,905**	**82,712,559**
Corporate bonds			
AAA	20,116,630	9,457,050	29,573,680
AA	894,059	-	894,059
A	56,901,633	17,961,628	74,863,261
BBB	52,407,583	35,182,205	87,589,788
Below investment grade	2,231,645	4,701,050	6,932,695
Subtotal	**132,551,550**	**67,301,933**	**199,853,483**
Total	**290,983,473**	**168,247,323**	**459,230,796**

13. Financial investments (continued)

Debt securities (continued)

Debt securities by type comprise the following: (continued)

	Policyholder and shareholder		
	Participating funds	Other policyholder and shareholder	
B$	**FVTPL**	**FVOCI**	**Total**
31 December 2022			
Government bonds[1]			
AAA	84,880,803	42,236,218	127,117,021
AA	5,188,660	-	5,188,660
A	4,383,690	-	4,383,690
BBB	7,921,497	2,107,294	10,028,791
Subtotal	**102,374,650**	**44,343,512**	**146,718,162**
Government agency bonds[2]			
AAA	43,423,635	37,581,610	81,005,245
Subtotal	**43,423,635**	**37,581,610**	**81,005,245**
Corporate bonds			
AAA	18,859,210	8,690,400	27,549,610
AA	845,509	-	845,509
A	55,771,477	16,113,368	71,884,845
BBB	45,390,885	38,219,059	83,609,944
Subtotal	**120,867,081**	**63,022,827**	**183,889,908**
Total	**266,665,366**	**144,947,949**	**411,613,315**

Notes:
(1) Government bonds include bonds issued in local or foreign currencies by either the government where the Branch operates or other governments.
(2) Government agency bonds comprise bonds issued by government-sponsored institutions such as national, provincial and municipal authorities; government-related entities; multilateral development banks and supranational organisations.

Equity shares and interests in investment funds

Equity shares and interests in investment funds comprise the following:

	Policyholder and shareholder				
	Participating funds	Other policyholder and shareholder		Unit-linked	
B$	**FVTPL**	**FVTPL**	**Subtotal**	**FVTPL**	**Total**
31 December 2023					
Equity shares	**4,331,291**	**27,423,942**	**31,755,233**	**-**	**31,755,233**
Interests in investment funds	**88,266,991**	**4,673,113**	**92,940,104**	**76,152,250**	**169,092,354**
Total	**92,598,282**	**32,097,055**	**124,695,337**	**76,152,250**	**200,847,587**

13. Financial investments (continued)

Equity shares and interests in investment funds (continued)

Equity shares and interests in investment funds comprise the following (continued):

B$	Policyholder and shareholder: Participating funds FVTPL	Policyholder and shareholder: Other policyholder and shareholder FVOCI	Subtotal	Unit-linked FVTPL	Total
31 December 2022					
Equity shares	10,943,508	24,716,457	35,659,965	-	35,659,965
Interests in investment funds	85,858,448	4,083,530	89,941,978	71,021,333	160,963,311
Total	**96,801,956**	**28,799,987**	**125,601,943**	**71,021,333**	**196,623,276**

Interests in structured entities

The Branch has determined that the investment funds, such as trusts, that the Branch has interests are structured entities.

The following table summarises the Branch's interest in unconsolidated structured entities as at the year end.

	Investment funds 2023 B$	Investment funds 2022 B$
2023		
Debt securities at fair value through other comprehensive income	**18,460,493**	14,854,788
Debt securities at fair value through profit or loss	**21,365,452**	17,895,655
Equity shares at fair value through profit or loss	**169,092,354**	160,963,311
Total	**208,918,299**	193,713,754

13. Financial investments (continued)

Loans and deposits

Loans and deposits by type comprise the following:

	2023 B$	2022 B$
Term deposits	**9,000,000**	9,000,000
Total	**9,000,000**	9,000,000

Term deposits consist of fixed deposits with financial institutions which do not meet the definition of cash and cash equivalents as their maturity at acquisition exceeds three months, including statutory deposits of B$9.0 million (2022: B$9.0 million) being maintained, of which only a minimum of B$1.0 million is required by the Brunei Darussalam Central Bank. Deposits are stated at amortised cost using the effective interest method.

Maturity profile of debt securities, loans and deposits

The table below shows the maturity profile of debt securities, loans and deposits based on contractual maturity dates. The maturity profile below excludes unit-linked investments and consolidated investment funds as the investment risk is generally wholly borne by our policyholders.

	Due in 1 year or less B$	Due after 1 year through 5 years B$	Due after 5 years through 10 years B$	Due after 10 years B$	Total B$
2023					
Debt securities	**9,235,058**	**45,673,418**	**110,153,233**	**294,169,087**	**459,230,796**
Loans and deposits	**9,000,000**	**-**	**-**	**-**	**9,000,000**
	18,235,058	**45,673,418**	**110,153,233**	**294,169,087**	**468,230,796**

	Due in 1 year or less B$	Due after 1 year through 5 years B$	Due after 5 years through 10 years B$	Due after 10 years B$	Total B$
2022					
Debt securities	1,283,568	75,335,538	93,757,298	241,236,911	411,613,315
Loans and deposits	9,000,000	-	-	-	9,000,000
	10,283,568	75,335,538	93,757,298	241,236,911	420,613,315

14. Derivative financial instruments

Description	Notional amount	Fair values	
		Assets	Liabilities
	B$	B$	B$
2023			
Forward exchange contracts	156,155	-	717
Total		**-**	**717**
2022			
Forward exchange contracts	139,633	69	484
Total		**69**	**484**

Forward exchange contracts represent agreements to exchange the currency of one country for the currency of another country at an agreed price and settlement date.

15. Fair value measurements

(i) Fair value of financial instruments

The Branch classifies all financial assets as either at fair value through profit or loss (mandatory and by designated), or as at fair value through other comprehensive income, or at amortised cost. Financial liabilities are classified as either at fair value through profit or loss or at amortised cost.

The following tables present the fair values of the Branch's financial assets and financial liabilities:

B$	Note	Fair value: FVTPL - mandatory	Fair value: FVTPL - designated	Fair value: FVOCI	Cost/ Amortised Cost	Total carrying value	Total fair value
31 December 2023							
Financial investments:	13						
Loans and deposits		-	-	-	9,000,000	9,000,000	9,000,000
Debt securities		4,859,707	286,123,766	168,247,323	-	459,230,796	459,230,796
Equity shares		200,847,587	-	-	-	200,847,587	200,847,587
Other assets (exclude prepayments)	16	-	-	-	5,214,673	5,214,673	
Cash and cash equivalents	17	-	-	-	11,125,984	11,125,984	
Financial assets		**205,707,294**	**286,123,766**	**168,247,323**	**25,340,657**	**685,419,040**	

B$	Note	Fair value through profit or loss	Cost/ Amortised Cost	Total carrying value	Total fair value
31 December 2023					
Financial liabilities:					
Derivative financial instruments	14	717	-	717	717
Other liabilities (exclude lease liabilities)	20	-	8,278,951	8,278,951	
Financial liabilities		**717**	**8,278,951**	**8,279,668**	

15. Fair value measurements (continued)

(i) Fair value of financial instruments (continued)

B$	Note	Fair value: FVTPL - mandatory	Fair value: FVTPL - designated	Fair value: FVOCI	Cost/ Amortised Cost	Total carrying value	Total fair value
31 December 2022							
Financial investments:	13						
Loans and deposits		-	-	-	9,000,000	9,000,000	9,000,000
Debt securities		7,720,472	258,944,894	144,947,949	-	411,613,315	411,613,315
Equity shares		196,623,276	-	-	-	196,623,276	196,623,276
Derivative financial instruments	14	-	69	-	-	69	69
Other assets (exclude prepayments)	16	-	-	-	5,140,816	5,140,816	
Cash and cash equivalents	17	-	-	-	12,206,794	12,206,794	
Financial assets		**204,343,748**	**258,944,963**	**144,947,949**	**26,347,610**	**634,584,270**	

B$	Note	Fair value through profit or loss	Cost/ Amortised Cost	Total carrying value	Total fair value
31 December 2022					
Financial liabilities:					
Derivative financial instruments	14	484	-	484	484
Other liabilities (exclude lease liabilities)	20	-	9,467,679	9,467,679	
Financial liabilities		**484**	**9,467,679**	**9,468,163**	

The carrying amount of assets included in the above tables represents the maximum credit exposure.

Foreign currency exposure, including the net notional amount of foreign currency derivative positions, is shown in Note 22(B)(b) for the key foreign exchange exposures.

The carrying value of financial instruments expected to be settled within 12 months (after taking into account valuation allowances, where applicable) is not considered to be materially different from the fair value.

(ii) Fair value measurements on a recurring basis

The Branch measures at fair value financial instruments classified at fair value through profit or loss, financial instruments classified at fair value through other comprehensive income and derivatives on a recurring basis. The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of a financial instrument is the amount that would be received on sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

15. Fair value measurements (continued)

(ii) Fair value measurements on a recurring basis (continued)

The degree of judgement used in measuring the fair value of financial instruments generally correlates with the level of pricing observability. Financial instruments with quoted prices in active markets generally have more pricing observability and less judgement is used in measuring fair value. Conversely, financial instruments traded in other than active markets or that do not have quoted prices have less observability and are measured at fair value using valuation models or other pricing techniques that require more judgement. An active market is one in which transactions for the asset or liability being valued occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

An other than active market is one in which there are few transactions, the prices are not current, price quotations vary substantially either over time or among market makers, or in which little information is released publicly for the asset or liability being valued. Pricing observability is affected by a number of factors, including the type of financial instrument, whether the financial instrument is new to the market and not yet established, the characteristics specific to the transaction and general market conditions.

The Branch does not have assets or liabilities measured at fair value on a non-recurring basis during the year ended 31 December 2023 and 2022.

The following methods and assumptions were used by the Branch to estimate the fair value of financial instruments and properties.

(iii) Determination of fair value measurement on a recurring basis

Debt securities, equity shares and interests in investment funds

The fair values of equity shares and interests in investment funds are based on quoted market prices or, if unquoted, on estimated market values generally based on quoted prices for similar securities. Fair values for fixed interest securities are based on quoted market prices, where available. For those securities not actively traded, fair values are estimated using values obtained from brokers, private pricing services or by discounting expected future cash flows using a current market rate applicable to the yield, credit quality and maturity of the investment. Priority is given to values from independent sources when available, but overall the source of pricing and/or valuation technique is chosen with the objective of arriving at the price at which an orderly transaction would take place between market participants on the measurement date. The inputs to determining fair value that are relevant to fixed interest securities include, but not limited to risk-free interest rates, the obligor's credit spreads, foreign exchange rates, and credit default rates. For holdings in hedge funds and limited partnerships, fair values are determined based on the net asset values provided by the general partner or manager of each investment, the accounts of which are generally audited on an annual basis. The transaction price is used as the best estimate of fair value at inception.

15. Fair value measurements (continued)

(iii) Determination of fair value measurement on a recurring basis (continued)

Derivative financial instruments

The Branch values its derivative financial assets and liabilities using market transactions and other market evidence whenever possible, including market-based inputs to models, model calibration to market clearing transactions, broker or dealer quotations or alternative pricing sources with reasonable levels of price transparency. When models are used, the selection of a particular model to value a derivative depends on the contract terms of, and specific risks inherent in, the instrument as well as the availability of pricing information in the market. The Branch generally uses similar models to value similar instruments. Valuation models require a variety of inputs, including contractual terms, market prices and rates, yield curves, credit curves, measures of volatility, prepayment rates and correlations of such inputs.

For derivatives that trade in liquid markets, such as generic forwards, model inputs can generally be verified and model selection does not involve significant management judgement. Examples of inputs that are generally observable include foreign exchange spot and forward rates, benchmark interest rate curves and volatilities for commonly traded option products. Examples of inputs that may be unobservable include volatilities for less commonly traded option products and correlations between market factors.

When the Branch holds a group of derivative assets and derivative liabilities entered into with a particular counterparty, the Branch takes into account the arrangements that mitigate credit risk exposure in the event of default (e.g. International Swap and Derivatives Association (ISDA) Master Agreements and Credit Support Annex (CSA) that require the exchange of collateral on the basis of each party's net credit risk exposure). The Branch measures the fair value of the group of financial assets and financial liabilities on the basis of its net exposure to the credit risk of the relevant counterparty that reflects market participants' expectations about the likelihood that such an arrangement would be legally enforceable in the event of default.

Cash and cash equivalents

The carrying amount of cash approximates its fair value.

Other assets

The carrying amount of other assets is not materially different to their fair values. The fair values of deposits with banks are generally based on quoted market prices or, if unquoted, on estimates based on discounting future cash flows using available market interest rates offered for receivables with similar characteristics.

15. Fair value measurements (continued)

(iii) Determination of fair value measurement on a recurring basis (continued)

<u>*Other liabilities*</u>

The fair values of other unquoted liabilities is estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those with no stated maturity, where the carrying value approximates to fair value.

(iv) Fair value hierarchy for fair value measurement on recurring basis

Assets and liabilities recorded at fair value in the balance sheet are measured and classified in a hierarchy for disclosure purposes consisting of three "levels" based on the observability of inputs available in the market place used to measure their fair values as discussed below:

- Level 1: Fair value measurements that are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Branch has the ability to access as of the measurement date. Market price data is generally obtained from exchange or dealer markets. The Branch does not adjust the quoted price for such instruments. Assets measured at fair value on a recurring basis and classified as Level 1 are actively traded equities or equity fund holding such assets. The Branch considers that government debt securities issued by G7 countries (United States, Canada, France, Germany, Italy, Japan, and the United Kingdom) and traded in a dealer market to be Level 1, until they no longer trade with sufficient frequency and volume to be considered actively traded.

- Level 2: Fair value measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs other than quoted prices that are observable for the asset and liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Assets and liabilities measured at fair value on a recurring basis and classified as Level 2 generally include government securities issued by non-G7 countries, most investment grade corporate bonds, hedge fund investments and derivative contracts.

- Level 3: Fair value measurements based on valuation techniques that use significant inputs that are unobservable. Unobservable inputs are only used to measure fair value to the extent that relevant observable inputs are not available, allowing for circumstances in which there is little, if any, market activity for the asset or liability. There are no Level 3 instruments for the financial year ended 31 December 2023 (2022: nil).

15. Fair value measurements (continued)

(iv) Fair value hierarchy for fair value measurement on recurring basis (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Branch's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement. In making the assessment, the Branch considers factors specific to the asset or liability.

A summary of assets and liabilities carried at fair value on a recurring basis according to fair value hierarchy is given below:

	Level 1 B$	Level 2 B$	Level 3 B$	Total B$
31 December 2023				
Recurring fair value measurements				
Assets				
Financial assets at fair value through other comprehensive income				
- Debt securities	-	168,247,323	-	168,247,323
Financial assets at fair value through profit or loss				
- Debt securities				
- Participating funds	-	290,983,473	-	290,983,473
- Equity shares				
- Participating funds	60,494,617	32,103,665	-	92,598,282
- Unit-linked	76,152,250	-	-	76,152,250
- Other policy and shareholder	29,567,951	2,529,104	-	32,097,055
Total assets on a recurring fair value measurement basis	**166,214,818**	**493,863,565**	**-**	**660,078,383**
Liabilities				
Derivative financial instruments	-	(717)	-	(717)
Total liabilities on a recurring fair value measurement basis	**-**	**(717)**	**-**	**(717)**

15. Fair value measurements (continued)

(iv) *Fair value hierarchy for fair value measurement on recurring basis* (continued)

	Level 1 B$	Level 2 B$	Level 3 B$	Total B$
31 December 2022				
Recurring fair value measurements				
Assets				
Financial assets at fair value through other comprehensive income				
- Debt securities	-	144,947,949	-	144,947,949
Financial assets at fair value through profit or loss				
- Debt securities				
- Participating funds	-	266,665,366	-	266,665,366
- Equity shares				
- Participating funds	77,906,539	18,895,417		96,801,956
- Unit-linked	71,021,333	-	-	71,021,333
- Other policy and shareholder	25,311,025	3,488,962		28,799,987
Derivative financial instruments	-	69	-	69
Total assets on a recurring fair value measurement basis	174,238,897	433,997,763	-	608,236,660
Liabilities				
Derivative financial instruments	-	(484)	-	(484)
Total liabilities on a recurring fair value measurement basis	-	(484)	-	(484)

The Branch applies the policy to recognise the transfers into and transfer out of the levels of fair value hierarchy as of the end of the quarter during which the event or change in circumstances has caused the transfer.

The Branch's level 2 financial instruments include debt securities, equity shares, and derivative instruments. The fair values of level 2 financial instruments are estimated using values obtained from private pricing services and brokers. When the quotes from third party pricing services and brokers are not available, internal valuation techniques and inputs as described above in this note will be used to derive the fair value for the financial instruments.

There are no differences between the fair values on initial recognition and the amounts determined using valuation techniques since the models adopted are calibrated using initial transaction prices.

There are no transfers into or out of fair value hierarchy levels for the financial year ended 31 December 2023.

15. Fair value measurements (continued)

(iv) Fair value hierarchy for fair value measurement on recurring basis (continued)

Valuation processes

The Branch has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values. In determining the fair values of financial assets, the Branch in general uses third-party pricing providers and, only in rare cases when no third-party prices exist, prices derived from internal models will be used. The Chief Investment Officer reviews the reasonableness of the prices used and report price exceptions, if any. Group Derivatives & Analytics team analyses reported price exceptions and reviews price challenge responses from third party pricing providers and provides the final recommendation on the appropriate price to be used. Any changes in valuation policies are reviewed and approved by the Group Pricing Committee ("GPC") which is part of the Branch's wider financial risk governance processes. Changes in Level 2 and 3 fair values are analysed at each reporting date.

The Branch has subscriptions to private pricing services for gathering such information in determining the fair value of financial assets. If the information from private pricing services is not available, the Branch uses the proxy pricing method based on internally developed valuation inputs.

16. Other assets

	2023 **B$**	2022 (restated) B$
Prepayments	**33,335**	-
Accrued investment income	**5,072,446**	4,507,176
Due from agents and brokers	**3,823**	1,146
Related party receivables	**-**	94,943
Receivables from sales of investments	**-**	19,593
Other receivables	**138,404**	517,958
	5,248,008	5,140,816

Amounts in other assets are expected to be recovered within 12 months after the end of the financial year.

Related party receivables are unsecured, interest free and have no fixed terms of repayment.

17. Cash and cash equivalents

	2023	2022
	B$	B$
Cash at bank and on hand	**9,481,323**	4,635,911
Short-term highly liquid investments	**1,644,661**	7,570,883
	11,125,984	12,206,794

Cash comprises cash at bank and cash in hand. Cash equivalents comprise bank deposits and highly liquid short-term investments with maturities at acquisition of three months or less and money market funds that are convertible into known amounts of cash and subject to insignificant risk of changes in value. Accordingly, all such amounts are expected to be realised within 12 months after the end of the reporting period.

18. Impairment of financial assets

Inputs, assumptions and techniques used for estimating impairment

(i) Significant increase in credit risk

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on the Branch's experience, credit assessment performed by internal and external experts and forward-looking information.

The Branch primarily identifies whether a significant increase in credit risk has occurred for an exposure by comparing the internal rating as at the reporting date with the internal rating as at the date of initial recognition of the exposure. Where external credit ratings are available, internal ratings are assigned consistent with such ratings in accordance with the Branch's credit risk assessment framework. Where external credit ratings are not readily available, an internal rating methodology has been adopted.

The Branch monitors changes in credit risk by tracking the change in internal rating of the exposure. The Branch also monitors relevant information, including price movements of securities, and assess whether such information signifies a change in credit risk.

The Branch has assumed that the credit risk of a financial asset has not increased significantly since initial recognition if the financial asset has low credit risk at the reporting date. The Branch considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade'. The Branch considers this to be BBB-, Baa3 or higher based on Standard and Poor's and Moody's ratings, which is equivalent to an internal risk grade of 4- or higher.

18. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(i) Significant increase in credit risk (continued)

As a backstop, the Branch considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due, unless there are other indications that there is no significant increase in credit risk. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined after considering any grace period that might be available to the debtor.

(ii) Modified financial assets

The contractual terms of a financial asset may be modified for a number of reasons including changing market conditions and other factors not related to current or potential credit deterioration of the debtor. An existing financial asset whose terms have been modified may be derecognised and the renegotiated asset recognised as a new financial asset at fair value in accordance with the accounting policies in Note 2.4.1.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of significant increase in credit risk is assessed based on the change in internal rating as at the reporting date and the date of initial recognition. The internal rating as at reporting date is rated based on the modified contractual terms while the initial rating is rated based on the original contractual terms.

(iii) Definition of default

The Branch considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Branch in full, without recourse by the Branch to mitigating actions. The criteria of “default” are consistent with those of “credit-impaired”.

(iv) Incorporation of forward-looking information

The Branch incorporates forward-looking information into both its assessment of whether the credit risk of a financial instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a “base case” view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on management knowledge and consideration of a variety of external actual and forecast information. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies and monetary authorities in the countries where the Branch operates, supranational organisations, and selected private-sector and academic forecasters.

18. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(iv) Incorporation of forward-looking information (continued)

The base case represents a best estimate and the other scenarios represent more optimistic and more pessimistic outcomes.

The Branch has identified and documented key drivers of credit risk and ECL for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationship between macro-economic variables and key drivers of credit risk.

(v) Measurement of ECL

The key inputs into the measurement of ECL are the term structures of probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

To determine lifetime and 12-month PDs, the Branch leverages on the internal rating and convert it into PD based on the level of rating and obligor characteristics like industry type and country. Changes in the rating at the reporting date for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Branch leverages on recovery statistics to calculate LGD. The LGD models consider a number of factors including among others, the structure, collateral and seniority of the claim, that are integral to the financial asset. LGD estimates are recalibrated for different economic scenarios.

PDs and LGDs are adjusted to reflect forward-looking information and different economic scenarios as described above.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is its gross carrying amount at the time of default. The Branch derives the EAD from the current exposure to the counterparty, with any adjustments for changes to the current exposure, such as amortisation, and prepayments.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Branch measures ECL considering the risk of default over the maximum contractual period (including any debtor's extension options) over which it is exposed to credit risk.

18. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(v) Measurement of ECL (continued)

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include instrument type, credit risk gradings, collateral type, date of initial recognition, remaining term to maturity, industry and geographical location of debtor.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external information that the Branch uses to derive the default rates of its portfolios.

(vi) Credit-impaired financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for impairment regularly. This requires the exercise of management judgement. The Branch assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit-impaired. Objective evidence that a financial asset, or a group of financial assets, is credit-impaired includes observable data that comes to the attention of the Branch about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- the restructuring of an amount due to the Branch on terms that the Branch would not otherwise consider;
- it becomes probable that the issuer or debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

A financial asset that has been renegotiated due to a deterioration in the debtor’s condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

18. **Impairment of financial assets** (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(vii) Loss allowance

	12-month ECL	
B$	**Gross carrying amount**	**Loss allowance**
Loans and deposits measured at amortised cost		
Balance at 1 January 2023	**9,000,000**	**-**
Balance at 31 December 2023	**9,000,000**	**-**

	12-month ECL	
B$	**Gross carrying amount**	**Loss allowance**
Loans and deposits measured at amortised cost		
Balance at 1 January 2022	9,000,000	-
Balance at 31 December 2022	9,000,000	-

	12-month ECL	
B$	**Gross carrying amount**	**Loss allowance**
Debt securities measured at fair value through other comprehensive income		
Balance at 1 January 2023	**157,433,532**	**273,264**
Net remeasurement of loss allowance	**-**	**4,487**
New financial assets acquired	**26,096,192**	**30,316**
Financial assets derecognised other than write-offs	**(11,476,028)**	**(30,111)**
Effects of movements in exchange rates and other movements	**(4,451)**	**(53)**
Balance at 31 December 2023	**172,049,245**	**277,903**

	12-month ECL	
B$	**Gross carrying amount**	**Loss allowance**
Debt securities measured at fair value through other comprehensive income		
Balance at 1 January 2022	145,615,566	215,656
Net remeasurement of loss allowance	-	34,201
New financial assets acquired	35,125,384	44,156
Financial assets derecognised other than write-offs	(23,215,343)	(20,679)
Effects of movements in exchange rates and other movements	(92,075)	(70)
Balance at 31 December 2022	157,433,532	273,264

18. Impairment of financial assets (continued)

Inputs, assumptions and techniques used for estimating impairment (continued)

(vii) Loss allowance (continued)

	12-month ECL		Lifetime ECL not credit-impaired		Total	
B$	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Other assets (exclude prepayments)						
Balance at 1 January 2023	**5,141,762**	**1,185**	**26,286**	**26,047**	**5,168,048**	**27,232**
Net remeasurement of loss allowance	-	1,574	-	-	-	1,574
Net increase in receivables	75,374	-	-	-	75,374	-
Effects of movements in exchange rates and other movements	-	-	-	(57)	-	(57)
Balance at 31 December 2023	**5,217,136**	**2,759**	**26,286**	**25,990**	**5,243,422**	**28,749**

	12-month ECL		Lifetime ECL not credit-impaired		Total	
B$	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
Other assets (exclude prepayments)						
Balance at 1 January 2022	**5,329,246**	**515**	**22,484**	**22,427**	**5,351,730**	**22,942**
Transfer to lifetime ECL not credit-impaired	(3,802)	(3,620)	3,802	3,620	-	-
Net remeasurement of loss allowance	-	4,290	-	-	-	4,290
Net decrease in receivables	(185,494)	-	-	-	(185,494)	-
Effects of movements in exchange rates and other movements	1,812	-	-	-	1,812	-
Balance at 31 December 2022	**5,141,762**	**1,185**	**26,286**	**26,047**	**5,168,048**	**27,232**

19. Insurance contracts and reinsurance contracts held

(i) Movement in carrying amounts

The following reconciliations show how the net carrying amounts of insurance contracts and reinsurance contracts held changed during the year as a result of cash flows and amounts recognised in the income statement and statement of comprehensive income. The Branch presents a table separately analyses movements in the liabilities for remaining coverage and movements in the liabilities for incurred claims and reconciles these movements to the line items in the income statement and statement of comprehensive income. A second reconciliation is presented for contracts not measured under the premium allocation approach, which separately analyses changes in the estimates of the present value of future cash flows, the risk adjustment for non-financial risk and the contractual service margin.

The estimates of the present value of future cash flows from insurance and reinsurance contract assets represent the Branch's estimated exposure to credit risk from these assets.

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach

		Year ended 31 December 2023			
		Liabilities for remaining coverage		Liabilities for	
B$	Note	Excluding loss component	Loss component	incurred claims	Total
Opening balance		**392,957,461**	**360,616**	**3,930,417**	**397,248,494**
Insurance revenue	*6*	(15,744,012)	-	-	(15,744,012)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(111,686)	8,648,091	8,536,405
Amortisation of insurance acquisition cash flows		1,842,053	-	-	1,842,053
Losses and reversal of losses on onerous contracts		-	67,024	-	67,024
Adjustments to liabilities for incurred claims		-	-	24,308	24,308
Total insurance service expenses		**1,842,053**	**(44,662)**	**8,672,399**	**10,469,790**
Investment components		(30,719,808)	-	30,719,808	-
Insurance service result		**(44,621,767)**	**(44,662)**	**39,392,207**	**(5,274,222)**
Net finance expenses from insurance contracts	*7*	13,483,521	12,569	70,301	13,566,391
Total changes in the income statement and statement of comprehensive income		**(31,138,246)**	**(32,093)**	**39,462,508**	**8,292,169**
Cash flows					
Premiums received		64,113,043	-	-	64,113,043
Claims and other insurance service expenses paid, including investment components		-	-	(41,617,553)	(41,617,553)
Insurance acquisition cash flows paid		(10,341,626)	-	-	(10,341,626)
Other amounts received		-	-	3,282,903	3,282,903
Total cash flows		**53,771,417**	**-**	**(38,334,650)**	**15,436,767**
Adjusted for:					
Non-cash operating expenses		(124,885)	-	(358,366)	(483,251)
Total non-cash items		**(124,885)**	**-**	**(358,366)**	**(483,251)**
Closing balance		**415,465,747**	**328,523**	**4,699,909**	**420,494,179**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts not measured under the premium allocation approach (continued)

		Year ended 31 December 2022			
		Liabilities for remaining coverage		Liabilities for	
B$	Note	Excluding loss component	Loss component	incurred claims	Total
Opening balance		**470,238,230**	**374,342**	**4,548,396**	**475,160,968**
Insurance revenue	6	(17,530,021)	-	-	(17,530,021)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(284,368)	7,102,553	6,818,185
Amortisation of insurance acquisition cash flows		2,511,289	-	-	2,511,289
Losses and reversal of losses on onerous contracts		-	276,234	-	276,234
Adjustments to liabilities for incurred claims		-	-	37,907	37,907
Total insurance service expenses		**2,511,289**	**(8,134)**	**7,140,460**	**9,643,615**
Investment components		(29,762,387)	-	29,762,387	-
Insurance service result		**(44,781,119)**	**(8,134)**	**36,902,847**	**(7,886,406)**
Net finance expenses from insurance contracts	7	(88,071,200)	(5,592)	(97,102)	(88,173,894)
Total changes in the income statement and statement of comprehensive income		**(132,852,319)**	**(13,726)**	**36,805,745**	**(96,060,300)**
Cash flows					
Premiums received		68,328,848	-	-	68,328,848
Claims and other insurance service expenses paid, including investment components		-	-	(40,433,544)	(40,433,544)
Insurance acquisition cash flows paid		(12,365,276)	-	-	(12,365,276)
Other amounts received		-	-	3,146,923	3,146,923
Total cash flows		**55,963,572**	**-**	**(37,286,621)**	**18,676,951**
Adjusted for:					
Non-cash operating expenses		(234,852)	-	(137,103)	(371,955)
Other non-cash items		(157,170)	-	-	(157,170)
Total non-cash items		**(392,022)**	**-**	**(137,103)**	(529,125)
Closing balance		**392,957,461**	**360,616**	**3,930,417**	**397,248,494**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach

		Year ended 31 December 2023							
						CSM			
B$	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening balance		**339,637,321**	**4,173,771**	**53,437,402**	**397,248,494**	**277,504**	**39,901,622**	**13,258,276**	**53,437,402**
Insurance service result									
Changes that relate to current services		(555,018)	(54,326)	(4,756,210)	(5,365,554)	(29,127)	(2,498,884)	(2,228,199)	(4,756,210)
CSM recognised for services provided	6	-	-	(4,756,210)	(4,756,210)	(29,127)	(2,498,884)	(2,228,199)	(4,756,210)
Change in risk adjustment for non-financial risk		-	(54,326)	-	(54,326)	-	-	-	-
Experience adjustments		757,262	-	-	757,262	-	-	-	-
Others		(1,312,280)	-	-	(1,312,280)	-	-	-	-
Changes that relate to future services		(1,068,056)	222,065	913,015	67,024	119,116	(8,485,772)	9,279,671	913,015
Contracts initially recognised in the year		(9,249,893)	462,072	8,836,044	48,223	-	-	8,836,044	8,836,044
Changes in estimates that adjust the CSM		8,164,534	(241,505)	(7,923,029)	-	119,116	(8,485,772)	443,627	(7,923,029)
Changes in estimates that result in losses and reversal of losses on onerous contracts		17,303	1,498	-	18,801	-	-	-	-
Changes that relate to past services		96,857	(72,549)	-	24,308	-	-	-	-
Total insurance service result		**(1,526,217)**	**95,190**	**(3,843,195)**	**(5,274,222)**	**89,989**	**(10,984,656)**	**7,051,472**	**(3,843,195)**
Net finance income from insurance contracts	7	13,445,402	-	120,989	13,566,391	-	72,618	48,371	120,989
Total changes in the income statement and statement of comprehensive income		**11,919,185**	**95,190**	**(3,722,206)**	**8,292,169**	**89,989**	**(10,912,038)**	**7,099,843**	**(3,722,206)**
Cash flows		15,436,767	-	-	15,436,767	-	-	-	-
Non-cash operating expenses		(483,251)	-	-	(483,251)	-	-	-	-
Closing balance		**366,510,022**	**4,268,961**	**49,715,196**	**420,494,179**	**367,493**	**28,989,584**	**20,358,119**	**49,715,196**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by measurement component of insurance contracts not measured under the premium allocation approach (continued)

B$	Note	Year ended 31 December 2022 Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	CSM Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening balance		**409,400,823**	**4,626,110**	**61,134,035**	**475,160,968**	**433,667**	**52,829,739**	**7,870,629**	**61,134,035**
Insurance service result									
Changes that relate to current services		(2,599,235)	(187,232)	(5,414,080)	(8,200,547)	(26,084)	2,263,185	(7,651,181)	(5,414,080)
CSM recognised for services provided	6	-	-	(5,414,080)	(5,414,080)	(26,084)	2,263,185	(7,651,181)	(5,414,080)
Change in risk adjustment for non-financial risk		-	(187,232)	-	(187,232)	-	-	-	-
Experience adjustments		(1,616,786)	-	-	(1,616,786)	-	-	-	-
Others		(982,449)	-	-	(982,449)	-	-	-	-
Changes that relate to future services		2,067,133	(213,317)	(1,577,582)	276,234	(130,079)	(14,393,234)	12,945,731	(1,577,582)
Contracts initially recognised in the year		(9,623,949)	534,074	9,391,440	301,565	-	-	9,391,440	9,391,440
Changes in estimates that adjust the CSM		11,714,976	(745,954)	(10,969,022)	-	(130,079)	(14,393,234)	3,554,291	(10,969,022)
Changes in estimates that result in losses and reversal of losses on onerous contracts		(23,894)	(1,437)	-	(25,331)	-	-	-	-
Changes that relate to past services		89,697	(51,790)	-	37,907	-	-	-	-
Total insurance service result		**(442,405)**	**(452,339)**	**(6,991,662)**	**(7,886,406)**	**(156,163)**	**(12,130,049)**	**5,294,550**	**(6,991,662)**
Net finance income from insurance contracts	7	(87,468,923)	-	(704,971)	(88,173,894)	-	(798,068)	93,097	(704,971)
Total changes in the income statement and statement of comprehensive income		**(87,911,328)**	**(452,339)**	**(7,696,633)**	**(96,060,300)**	**(156,163)**	**(12,928,117)**	**5,387,647**	**(7,696,633)**
Cash flows		18,676,951	-	-	18,676,951	-	-	-	-
Non-cash operating expenses		(371,955)	-	-	(371,955)	-	-	-	-
Other non-cash items		(157,170)	-	-	(157,170)	-	-	-	-
Closing balance		**339,637,321**	**4,173,771**	**53,437,402**	**397,248,494**	**277,504**	**39,901,622**	**13,258,276**	**53,437,402**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach

		Year ended 31 December 2023			
		Asset for remaining coverage			
B$	**Note**	**Excluding loss-recovery component**	**Loss recovery component**	**Asset for incurred claims**	**Total**
Opening balance		**7,903,357**	**151,100**	**1,067,277**	**9,121,734**
Changes in the income statement and statement of comprehensive income					
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(1,609,304)	13,586	497,949	(1,097,769)
Net expenses from reinsurance contracts held		(1,609,304)	13,586	497,949	(1,097,769)
Net finance income from reinsurance contracts held	7	1,327,081	6,718	(602)	1,333,197
Total changes in the income statement and statement of comprehensive income		**(282,223)**	**20,304**	**497,347**	**235,428**
Cash flows					
Premiums paid		1,101,678	-	-	1,101,678
Amounts received		-	-	(527,065)	(527,065)
Other amounts paid		-	-	95,519	95,519
Total cash flows		**1,101,678**	**-**	**(431,546)**	**670,132**
Adjusted for:					
Non-cash operating expenses		-	-	9,703	9,703
Total non-cash items		**-**	**-**	**9,703**	**9,703**
Closing balance		**8,722,812**	**171,404**	**1,142,781**	**10,036,997**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of reinsurance contracts held not measured under the premium allocation approach (continued)

		Year ended 31 December 2022			
		Asset for remaining coverage			
B$	Note	Excluding loss-recovery component	Loss recovery component	Asset for incurred claims	Total
Opening balance		**9,761,590**	**117,014**	**647,197**	**10,525,801**
Changes in the income statement and statement of comprehensive income					
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(1,417,915)	28,446	769,269	(620,200)
Net expenses from reinsurance contracts held		(1,417,915)	28,446	769,269	(620,200)
Net finance income from reinsurance contracts held	7	(1,227,394)	5,640	(259)	(1,222,013)
Total changes in the income statement and statement of comprehensive income		**(2,645,309)**	**34,086**	**769,010**	**(1,842,213)**
Cash flows					
Premiums paid		787,076	-	-	787,076
Amounts received		-	-	(457,173)	(457,173)
Other amounts paid		-	-	102,052	102,052
Total cash flows		**787,076**	**-**	**(355,121)**	**431,955**
Adjusted for:					
Non-cash operating expenses		-	-	6,191	6,191
Total non-cash items		**-**	**-**	**6,191**	**6,191**
Closing balance		**7,903,357**	**151,100**	**1,067,277**	**9,121,734**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach

		Year ended 31 December 2023							
						CSM			
B$	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening balance		**6,582,178**	**689,836**	**1,849,720**	**9,121,734**	**-**	**5,021,674**	**(3,171,954)**	**1,849,720**
Insurance service result									
Changes that relate to current services		(587,858)	38,887	(248,303)	(797,274)	-	(517,990)	269,687	(248,303)
CSM recognised for services provided		-	-	(248,303)	(248,303)	-	(517,990)	269,687	(248,303)
Change in risk adjustment for non-financial risk		-	38,887	-	38,887	-	-	-	-
Experience adjustments		(587,858)	-	-	(587,858)	-	-		-
Changes that relate to future services		(1,318,318)	142,708	1,181,571	5,961	-	1,607,672	(426,101)	1,181,571
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	33,818	33,818	-	-	33,818	33,818
Contracts initially recognised in the year		652,780	126,736	(779,516)	-	-	-	(779,516)	(779,516)
Changes in estimates that adjust the CSM		(1,946,070)	18,801	1,927,269	-	-	1,607,672	319,597	1,927,269
Changes in estimates that result in losses and reversal of losses on onerous contracts		(25,028)	(2,829)	-	(27,857)	-	-	-	-
Changes that relate to past services		(282,762)	(23,694)	-	(306,456)	-	-	-	-
Total insurance service result		**(2,188,938)**	**157,901**	**933,268**	**(1,097,769)**	**-**	**1,089,682**	**(156,414)**	**933,268**
Net finance income from insurance contracts	7	1,273,475	-	59,722	1,333,197	-	187,233	(127,511)	59,722
Total changes in the income statement and statement of comprehensive income		**(915,463)**	**157,901**	**992,990**	**235,428**	**-**	**1,276,915**	**(283,925)**	**992,990**
Cash flows		670,132	-	-	670,132	-	-	-	-
Non-cash operating expenses		9,703	-	-	9,703	-	-	-	-
Closing balance		**6,346,550**	**847,737**	**2,842,710**	**10,036,997**	**-**	**6,298,589**	**(3,455,879)**	**2,842,710**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held not measured under the premium allocation approach (continued)

		Year ended 31 December 2022				CSM			
B$	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Contracts under modified retrospective approach	Contracts under fair value approach	Other contracts	Total
Opening balance		**6,936,706**	**653,042**	**2,936,053**	**10,525,801**	**-**	**5,362,319**	**(2,426,266)**	**2,936,053**
Insurance service result									
Changes that relate to current services		(533,502)	22,791	(195,829)	(706,540)	-	(432,407)	236,578	(195,829)
CSM recognised for services provided		-	-	(195,829)	(195,829)	-	(432,407)	236,578	(195,829)
Change in risk adjustment for non-financial risk		-	22,791	-	22,791	-	-	-	-
Experience adjustments		(533,502)	-	-	(533,502)	-	-	-	-
Changes that relate to future services		980,910	15,005	(963,320)	32,595	-	(78,634)	(884,686)	(963,320)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	26,997	26,997	-	-	26,997	26,997
Contracts initially recognised in the year		706,085	121,675	(827,760)	-	-	-	(827,760)	(827,760)
Changes in estimates that adjust the CSM		267,831	(105,274)	(162,557)	-	-	(78,634)	(83,923)	(162,557)
Changes in estimates that result in losses and reversal of losses on onerous contracts		6,994	(1,396)	-	5,598	-	-	-	-
Changes that relate to past services		54,747	(1,002)	-	53,745	-	-	-	-
Total insurance service result		**502,155**	**36,794**	**(1,159,149)**	**(620,200)**	**-**	**(511,041)**	**(648,108)**	**(1,159,149)**
Net finance expenses from insurance contracts	7	(1,294,829)	-	72,816	(1,222,013)	-	170,396	(97,580)	72,816
Total changes in the income statement and statement of comprehensive income		**(792,674)**	**36,794**	**(1,086,333)**	**(1,842,213)**	**-**	**(340,645)**	**(745,688)**	**(1,086,333)**
Cash flows		431,955	-	-	431,955	-	-	-	-
Non-cash operating expenses		6,191	-	-	6,191	-	-	-	-
Closing balance		**6,582,178**	**689,836**	**1,849,720**	**9,121,734**	**-**	**5,021,674**	**(3,171,954)**	**1,849,720**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach

		Year ended 31 December 2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		
B$	Note	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening balance		**1,285,968**	**-**	**2,986,603**	**71,753**	**4,344,324**
Insurance revenue	6	(8,155,168)	-	-	-	(8,155,168)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	-	4,134,769	13,184	4,147,953
Amortisation of insurance acquisition cash flows		2,111,182	-	-	-	2,111,182
Adjustments to liabilities for incurred claims		-	-	(855,256)	(42,763)	(898,019)
Total insurance service expenses		**2,111,182**	**-**	**3,279,513**	**(29,579)**	**5,361,116**
Investment components		51,723	-	(51,723)	-	-
Insurance service result		**(5,992,263)**	**-**	**3,227,790**	**(29,579)**	**(2,794,052)**
Net finance expenses from insurance contracts	7	(57)	-	(116)	-	(173)
Total changes in the income statement and statement of comprehensive income		**(5,992,320)**	**-**	**3,227,674**	**(29,579)**	**(2,794,225)**
Cash flows						
Premiums received		10,787,096	-	-	-	10,787,096
Claims and other insurance service expenses paid, including investment components		-	-	(4,620,125)	-	(4,620,125)
Insurance acquisition cash flows paid		(2,255,498)	-	-	-	(2,255,498)
Other amounts received		-	-	58,594	-	58,594
Total cash flows		**8,531,598**	**-**	**(4,561,531)**	**-**	**3,970,067**
Adjusted for:						
Non-cash operating expenses		(176,502)	-	(21,054)	-	(197,556)
Total non-cash items		**(176,502)**	**-**	**(21,054)**	**-**	**(197,556)**
Closing balance		**3,648,744**	**-**	**1,631,692**	**42,174**	**5,322,610**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by remaining coverage and incurred claims of insurance contracts measured under the premium allocation approach (continued)

		Year ended 31 December 2022				
		Liabilities for remaining coverage		Liabilities for incurred claims		
B$	Note	Excluding loss component	Loss component	Estimate of present value of future cash flows	Risk adjustment for non-financial risk	Total
Opening balance		**1,117,712**	**-**	**2,614,635**	**80,881**	**3,813,228**
Insurance revenue	6	(5,937,118)	-	-	-	(5,937,118)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	-	3,935,211	-	3,935,211
Amortisation of insurance acquisition cash flows		1,141,596	-	-	-	1,141,596
Adjustments to liabilities for incurred claims		-	-	(182,551)	(9,128)	(191,679)
Total insurance service expenses		**1,141,596**	**-**	**3,752,660**	**(9,128)**	**4,885,128**
Insurance service result		**(4,795,522)**	**-**	**3,752,660**	**(9,128)**	**(1,051,990)**
Net finance expenses from insurance contracts	7	-	-	-	-	-
Effect of movements in exchange rates		-	-	-	-	-
Total changes in the income statement and statement of comprehensive income		**(4,795,522)**	**-**	**3,752,660**	**(9,128)**	**(1,051,990)**
Cash flows						
Premiums received		6,043,814	-	-	-	6,043,814
Claims and other insurance service expenses paid, including investment components		-	-	(3,373,585)	-	(3,373,585)
Insurance acquisition cash flows paid		(1,077,281)	-	-	-	(1,077,281)
Total cash flows		**4,966,533**	**-**	**(3,373,585)**	**-**	**1,592,948**
Adjusted for:						
Non-cash operating expenses		(2,755)	-	(7,107)	-	(9,862)
Total non-cash items		**(2,755)**	**-**	**(7,107)**	**-**	**(9,862)**
Closing balance		**1,285,968**	**-**	**2,986,603**	**71,753**	**4,344,324**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach

		Year ended 31 December 2023				
		Asset for remaining coverage		Asset for incurred claims		
B$	Note	Excluding loss recovery component	Loss recovery component	Estimate of present value of future cash flows	Risk adjustment for non- financial risk	Total
Opening balance		**-**	**-**	**-**	**-**	**-**
Changes in the income statement and statement of comprehensive income						
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		71,322	-	(305)	-	71,017
Net finance income from reinsurance contracts held	*7*	(38)	-	(9)	-	(47)
Effect of movements in exchange rates						
Total changes in the income statement and statement of comprehensive income		**71,284**	**-**	**(314)**	**-**	**70,970**
Cash flows						
Premiums paid		(10,262)	-	-	-	(10,262)
Amounts received		-	-	-	-	-
Other amounts paid		-	-	287	-	287
Total cash flows		**(10,262)**	**-**	**287**	**-**	**(9,975)**
Adjusted for:						
Non-cash operating expenses		-	-	(32)	-	(32)
Total non-cash items		**-**	**-**	**(32)**	**-**	**(32)**
Closing balance		**61,022**	**-**	**(59)**	**-**	**60,963**

19. Insurance contracts and reinsurance contracts held (continued)

(i) Movement in carrying amounts (continued)

Analysis by measurement component of reinsurance contracts held measured under the premium allocation approach (continued)

		Year ended 31 December 2022				
		Asset for remaining coverage		**Asset for incurred claims**		
B$	Note	**Excluding loss recovery component**	**Loss recovery component**	**Estimate of present value of future cash flows**	**Risk adjustment for non- financial risk**	**Total**
Opening balance		**-**	**-**	**-**	**-**	**-**
Changes in the income statement and statement of comprehensive income						
Net expenses from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(83,745)	-	2,174	-	(81,571)
Net finance income from reinsurance contracts held	*7*	1,034	-	-	-	1,034
Total changes in the income statement and statement of comprehensive income		**(82,711)**	**-**	**2,174**	**-**	**(80,537)**
Cash flows						
Premiums paid		82,711	-	-	-	82,711
Amounts received		-	-	(2,671)	-	(2,671)
Other amounts paid		-	-	489	-	489
Total cash flows		**82,711**	**-**	**(2,182)**	**-**	**80,529**
Adjusted for:						
Non-cash operating expenses		-	-	8	-	8
Total non-cash items		**-**	**-**	**8**	**-**	**8**
Closing balance		**-**	**-**	**-**	**-**	**-**

19. Insurance contracts and reinsurance contracts held (continued)

(ii) Effect of contracts initially recognised in the year

Insurance contracts

B$	Profitable contracts issued	Onerous contracts issued	Total
Year ended 31 December 2023			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	8,935,685	87,073	9,022,758
Claims payable and other expenses	39,519,601	359,896	39,879,497
Total estimates of present value of future cash outflows	**48,455,286**	**446,969**	**48,902,255**
Estimates of present value of future cash inflows	(57,738,881)	(413,268)	(58,152,149)
Risk adjustment for non-financial risk	447,551	14,522	462,073
Contractual service margin	8,836,044	-	8,836,044
Losses recognised on initial recognition	**-**	**48,223**	**48,223**
Year ended 31 December 2022			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	9,466,612	215,161	9,681,773
Claims payable and other expenses	39,456,992	975,854	40,432,846
Total estimates of present value of future cash outflows	**48,923,604**	**1,191,015**	**50,114,619**
Estimates of present value of future cash inflows	(58,818,369)	(920,199)	(59,738,568)
Risk adjustment for non-financial risk	503,325	30,749	534,074
Contractual service margin	9,391,440	-	9,391,440
Losses recognised on initial recognition	**-**	**301,565**	**301,565**

Reinsurance contracts held

B$	**Year ended 31 December 2023** **Contracts originated**	Year ended 31 December 2022 Contracts originated
Estimates of present value of future cash inflows	**(4,904,779)**	(4,651,338)
Estimates of present value of future cash outflows	**4,251,999**	3,945,253
Risk adjustment for non-financial risk	**(126,736)**	(121,675)
Income recognised on initial recognition	**33,818**	26,997
Contractual service margin	**(745,698)**	(800,763)

19. Insurance contracts and reinsurance contracts held (continued)

(iii) Analysis of assets for insurance acquisition cash flows

B$	**Year ended 31 December 2023 Other policyholder and shareholder**	Year ended 31 December 2022 Other policyholder and shareholder
Opening balance	**2,471,011**	2,220,914
Assets recognised for insurance acquisition cash flows paid during the period	**415,857**	407,267
Allocation to groups of insurance contracts	**(151,131)**	(157,170)
Impairment losses	**(90,228)**	-
Closing balance	**2,645,509**	2,471,011

The following table illustrates when the Branch expects to derecognise the assets for insurance acquisition cash flows and include those cash flows in the measurement of the group of insurance contracts to which they are allocated.

B$	**Total**	**Five year or less**	**After five years through ten years**	**After ten years**
31 December 2023				
Assets for insurance acquisition cash flows	**2,645,509**	**659,214**	**492,339**	**1,493,956**
31 December 2022				
Assets for insurance acquisition cash flows	2,471,011	622,147	463,806	1,385,058

(iv) Analysis of contractual service margin

The following table illustrates when the Branch expects to recognise the remaining contractual service margin as revenue for contracts not measured under the premium allocation approach.

B$	**Total**	**Five year or less**	**After five years through ten years**	**After ten years**
31 December 2023				
Insurance contracts	**49,715,196**	**17,113,258**	**11,443,654**	**21,158,284**
Reinsurance contracts held	**(2,842,710)**	**(1,440,672)**	**(914,630)**	**(487,408)**
31 December 2022				
Insurance contracts	53,437,402	19,360,511	12,222,560	21,854,331
Reinsurance contracts held	(1,849,720)	(661,557)	(452,566)	(735,597)

19. Insurance contracts and reinsurance contracts held (continued)

(v) Fulfilment cash flows

Estimates of future cash flows

The Branch's objective in estimating future cash flows is to determine the expected value or probability-weighted mean of the full range of possible outcomes. The Branch incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

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

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

Cash flows are within the boundary of a contract if they arise from substantive rights and obligations that exist during the reporting period. They relate directly to the fulfilment of the contract, including those for which the Branch has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

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

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

19. Insurance contracts and reinsurance contracts held (continued)

(v) Fulfilment cash flows (continued)

Methodology and assumptions

(a) Mortality

Assumptions have been developed based on recent historical experience, and expectations of current and expected future experience including mortality improvement. Where historical experience is not credible, reference has been made to pricing assumptions supplemented by market data, where available.

Mortality assumptions have been expressed as a percentage of either standard industry experience tables or, where experience is sufficiently credible, as a percentage of tables that have been developed internally by the Branch.

(b) Morbidity

Assumptions have been developed based on recent historical experience, and their expectations of current and expected future experience. Morbidity rate assumptions have been expressed as a percentage of standard industry experience tables or as expected claims ratios.

(c) Persistency

Persistency covers the assumptions required, where relevant, for policy lapse (including surrender), premium persistency, premium holidays, partial withdrawals, policy loan take up and repayment and retirement rates for pension products.

Assumptions have been developed based on recent historical experience, and best estimate expectations of currency and expected future experience. Persistency assumptions would vary by policy year and product type with different rates for regular and single premium products where appropriate.

Where experience for a particular product was not credible enough to allow any meaningful analysis to be performed, experience for similar products was used as a basis for future persistency experience assumptions.

In the case of surrenders, the valuation assumes that current surrender value bases will continue to apply in the future.

19. Insurance contracts and reinsurance contracts held (continued)

(v) Fulfilment cash flows (continued)

Methodology and assumptions (continued)

(d) Expenses

The expense assumptions have been set based on the most recent expense analysis. The purpose of the expense analysis is to allocate total expenses between acquisition, maintenance and other activities, and then to allocate these acquisition and maintenance expenses that can be directly attributed to the portfolio of insurance contracts to derive unit cost assumptions.

Where the expenses associated with certain activities have been identified as being one-off, these expenses have been excluded from the expense analysis.

Expense assumptions have been determined for acquisition and maintenance activities that can be directly attributed to the portfolio of insurance contracts, split by product type, and unit costs expressed as a percentage of premiums, sum assured and an amount per policy. Where relevant, expense assumptions have been calculated per distribution channel.

Expense assumptions consider allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy administration and claims handling efficiency.

Assumptions for commission rates and other sales-related payments have been set in line with actual experience.

(e) Reinsurance

Reinsurance assumptions have been developed based on the reinsurance arrangements in-force as at the reporting date and the recent historical and expected future experience.

(f) Policyholder dividends, profit sharing and interest crediting

The projected policyholder dividends, profit sharing and interest crediting assumptions set by the Branch reflect contractual and regulatory requirements, policyholders' reasonable expectations (where clearly defined) and the best estimate of future policies, strategies and operations consistent with the investment return assumptions.

19. Insurance contracts and reinsurance contracts held (continued)

(v) Fulfilment cash flows (continued)

Methodology and assumptions (continued)

(f) Policyholder dividends, profit sharing and interest crediting (continued)

Participating funds surpluses have been assumed to be distributed between policyholders and shareholders via future final bonuses or at the end of the projection period so that there are no residual assets at the end of the projection period.

The assumed estimated crediting rates and participation percentages are generally based on the actual rates and percentages applied in the current year. The crediting rates applied vary between products; in the current economic environment, the amounts credited are often determined by interest rate guarantees.

(g) An adjustment to reflect the time value of money and the financial risks related to future cash flows

The Branch adjusts the estimate of future cash flows to reflect the time value of money and the financial risks related to those cash flows. The cash flows are discounted by the discount rates to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.

The top-down approach has been primarily adopted for the derivation of discount rates. A top-down approach starts with considering a yield curve that reflects the current market rates of return of a reference portfolio of assets that have similar characteristics of the insurance contracts, and adjust this downwards to eliminate any factors not relevant to the insurance contracts (primarily the allowance for credit risk). The assessment of credit risk premium is done on external and internal ratings when the reference portfolio contains assets which are locally rated. Alternatively, a bottom-up approach could be used under which discount rates are determined by adjusting the liquid risk-free yield curve to reflect the liquidity characteristics of the insurance contracts.

In constructing the discount rates, market observable rates are used up to the last available market data point which is reliable and also relevant in reflecting the characteristics of the insurance contracts. The market observable rates are extrapolated between this point and an ultimate forward rate derived using long-term estimates by applying generally accepted technique such as Smith-Wilson method etc.

19. Insurance contracts and reinsurance contracts held (continued)

(v) Fulfilment cash flows (continued)

Methodology and assumptions (continued)

(g) An adjustment to reflect the time value of money and the financial risks related to future cash flows (continued)

The tables below set out the spot rates used to discount the cash flows of insurance contracts for major currencies. To reflect the liquidity characteristics of the insurance contracts, the risk-free spot rates are adjusted by an illiquidity premium.

As at 31 December 2023	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.73%	0.60%	3.78%	0.77%	3.79%	0.99%	3.89%	1.09%	4.21%	1.03%
SGD	3.53%	0.74%	2.64%	1.43%	2.67%	1.28%	2.74%	1.22%	2.71%	1.19%

As at 31 December 2022	1 year		5 years		10 years		15 years		20 years	
Spot rates	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium	Risk free	With illiquidity premium
USD	4.62%	0.34%	3.88%	1.04%	3.75%	1.44%	3.84%	1.58%	4.10%	1.58%
SGD	3.88%	1.27%	2.84%	1.72%	3.07%	1.90%	2.92%	1.89%	2.59%	1.80%

For the insurance contracts with cash flows that vary based on the returns on any financial underlying items, the Branch applies risk-neutral measurement techniques. Stochastic modelling is applied for insurance contracts with significant financial options and guarantees to estimate the expected present value. A large number of possible economic scenarios for market variables such as interest rates and equity returns are considered using risk neutral approach and consistent with market observable price.

19. Insurance contracts and reinsurance contracts held (continued)

(vi) Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are generally determined by considering the expected cash flows arising from insurance contracts in each segment for each of the geographical markets in which the Branch operates, consistent with the way that non-financial risk is managed. Risk adjustments are determined separately from estimates from the present value of future cash flows, using the confidence level technique.

Applying a confidence level technique, the Branch estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at 75th percentile (the target confidence level) over the expected present value of the future cash flows.

(vii) Contractual service margin

The CSM of a group of contracts is recognised as insurance revenue in each period based on the number of coverage units provided in the period, which is determined by considering for each contract the quantity of the services provided, its expected coverage period and time value of money.

For a group of contracts that is onerous at the start of a reporting period and becomes profitable subsequently that CSM is recognised during the reporting period, the total amount of recognised CSM is released to profit or loss if there are no more future coverage units.

(viii) Investment components

The Branch identifies the investment component of an insurance contract by determining the amount that it would be required to repay to the policyholder in all circumstances, regardless of whether an insured event occurs. Investment components are excluded from insurance revenue and insurance service expenses. Generally, for relevant contracts, surrender value would be determined as an investment component.

20. Other liabilities

	2023	2022 (restated)
	B$	B$
Trade and other payables	**7,517,395**	9,186,301
Investment payables	**156,178**	119,978
Payables to other related companies	**605,378**	161,400
Lease liabilities	**2,029,707**	2,121,820
	10,308,658	11,589,499

Other liabilities other than lease liabilities are all expected to be settled within 12 months after the end of the financial year.

Related party payables are unsecured, interest free and have no fixed terms of repayment.

21. Reserves

	2023	2022 (restated)
	B$	B$
(a) Composition:		
Fair value reserve	**(3,524,020)**	(12,212,320)
Insurance finance reserve	**(928,328)**	(4,805,736)
Other reserves	**84,339**	114,584
	(4,368,009)	(16,903,472)

(b) Movements

(i) Fair value reserve

	2023	2022 (restated)
Beginning of financial year	**(12,212,320)**	10,431,902
Financial assets at fair value through other comprehensive income		
- Fair value gains/(losses)	**8,601,252**	(23,210,373)
- Reclassification to profit or loss on disposal	**87,048**	566,151
	8,688,300	(22,644,222)
End of financial year	**(3,524,020)**	(12,212,320)

(ii) Insurance finance reserve

	2023	2022 (restated)
Beginning of financial year	**(4,805,736)**	(70,660)
Changes in insurance finance reserve	**2,839,264**	(3,222,830)
Changes in reinsurance finance reserve	**1,038,144**	(1,512,246)
End of financial year	**(928,328)**	(4,805,736)

21. Reserves (continued)

(iii) Other reserves

	2023 B$	2022 (restated) B$
Beginning of financial year	**114,584**	67,822
Movement for the financial year	**(30,245)**	46,762
End of financial year	**84,339**	114,584

Other reserves represent share-based compensation reserves and are non-distributable.

22. Risk management

The Branch issues contracts that involve insurance risk, financial risk or both. This section summarises these risks and the way the Branch and Head Office has been managing them.

Besides the local statutory regulations, the Branch adopts the overall policies, standards and procedures set up by the AIA Group Financial Risk Committee ("FRC") for the management of liquidity, market, credit and derivative risks. The Risk Management Framework ("RMF") provides the structure for identifying, quantifying and mitigating risk across the Branch. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business.

The risks associated with traditional life and accident and health products are insurance risk and financial risk.

(A) Insurance risk

Insurance risk is the risk arising from changes in claims experience, business expenses, and the acquisition and persistency of insurance business. This also includes changes to assumptions regarding future experience for these risks.

Lapse

Lapse risk is the risk that policies lapse, on average, differently to that assumed in the pricing or reserving assumptions.

Ensuring customers buy products that meet their needs is central to the Branch's operating philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programs and active monitoring of sales activities and persistency, the Branch seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service consistently meet our customers' needs. Lapse risk is assessed as part of the product development process and monitored through regular experience studies.

22. Risk management (continued)

(A) Insurance risk (continued)

Expense

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing expenses incurred by the business.

Daily operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Branch's very substantial experience within the markets in which we operate.

Morbidity and mortality

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical/death claims are higher than the assumptions made in pricing and/or reserving.

The Branch adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience and with the assistance of professional reinsurers.

The Branch's actuarial team conducts regular experience studies of all the insurance risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

Through monitoring the development of both local and global trends in medical technology, health and wellness, the impact of legislation and general social, political and economic conditions the Branch seeks to anticipate and respond promptly to potential adverse experience impacts on its products.

Reinsurance is used to reduce concentration and volatility risk, especially with large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters. We assess the overall level of insurance risk by taking into consideration a range of diverse risk factors across the many categories in our product range. This diversity of risk, combined with our reinsurance programme helps us to distribute risk and provide protection against the impact of catastrophic events and short-term environmental impacts.

<u>Concentration of insurance risk</u>

Concentration of risk may arise where a particular event or series of events could significantly impact the Branch's liabilities. The Branch is also exposed to geographical concentration of risk as most of the business is residing in Brunei.

22. **Risk management** (continued)

(A) **Insurance risk** (continued)

Morbidity and mortality (continued)

Claims development

The claims development period for general claims is relatively short. Given the small scale of the related claims reserves in the context of the Branch as a whole, no claims development table is presented.

Sensitivity analysis on insurance risk

The table below sets out the sensitivity analysis in respect of insurance contracts and reinsurance contracts held to key variables affecting insurance risk exposures. This analysis assumes that all other variables remain constant. Information below presents the sensitivities both before and after risk mitigation by reinsurance, and illustrates the estimated impact on profits and equity arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are mainly as below:

- The effects on profit or loss are changes in fulfilment cash flows relating to loss components or that recognised as insurance finance income or expenses in profit or loss.
- The effects on equity are the effects on profit and loss and other comprehensive income arising from changes in fulfilment cash flows relating to loss components and insurance finance income or expenses.

Sensitivity analysis before risk mitigation by reinsurance

B$	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2023		
10% increase in attributable expenses	(167,449)	(162,796)
10% decrease in attributable expenses	167,344	162,691
10% increase in mortality/morbidity rates	(594,098)	(448,990)
10% decrease in mortality/morbidity rates	546,300	396,745
10% increase in lapse/discontinuance rates	(71,181)	86,192
10% decrease in lapse/discontinuance rates	77,051	(142,850)
31 December 2022 (restated)		
10% increase in attributable expenses	(124,846)	(101,243)
10% decrease in attributable expenses	125,219	101,633
10% increase in mortality/morbidity rates	(745,558)	(32,193)
10% decrease in mortality/morbidity rates	603,963	(151,455)
10% increase in lapse/discontinuance rates	(29,785)	507,111
10% decrease in lapse/discontinuance rates	33,777	(613,914)

22. Risk management (continued)

(A) Insurance risk (continued)

Sensitivity analysis on insurance risk (continued)

Sensitivity analysis after risk mitigation by reinsurance

B$	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2023		
10% increase in attributable expenses	(162,882)	(158,179)
10% decrease in attributable expenses	162,708	158,004
10% increase in mortality/morbidity rates	(437,157)	(462,574)
10% decrease in mortality/morbidity rates	401,985	429,772
10% increase in lapse/discontinuance rates	(121,235)	92,358
10% decrease in lapse/discontinuance rates	133,603	(166,284)
31 December 2022 (restated)		
10% increase in attributable expenses	(119,523)	(95,884)
10% decrease in attributable expenses	120,195	96,575
10% increase in mortality/morbidity rates	(596,354)	(463,701)
10% decrease in mortality/morbidity rates	439,774	305,035
10% increase in lapse/discontinuance rates	(77,821)	638,038
10% decrease in lapse/discontinuance rates	78,243	(785,569)

(B) Investment and financial risk

The Branch manages its financial investments in two distinct categories: unit-linked investments and policyholder and shareholder investments. The investment risk in respect of unit-linked investments is generally wholly borne by our customers, and does not directly affect the profit for the year before tax. Policyholder and shareholder investments include all financial investments other than unit-linked investments. The investment risk in respect of policyholder and shareholder investments is partially or wholly borne by the Branch and directly affects the profit for the year before tax.

Policyholder and shareholder investments are further categorised as Participating Funds and Other Policyholder and Shareholder.

The primary investment objectives of our policyholder and shareholder investments are generally designed to achieve optimal levels of risk-adjusted return for policyholders and shareholders over the long-term, while preserving capital, maintaining adequate solvency and liquidity levels, meeting our risk management and asset-liability management objectives and ensuring full compliance with applicable regulations and internal policies.

The Branch has comprehensive, integrated frameworks to ensure investments are properly authorised, monitored and managed within internal policies that address asset-liability management, financial and operational risks, whether assets are invested directly by the Branch or through external investment managers. This framework consists of three elements: a strategic asset allocation framework; a tactical asset allocation process; and a combination of internal and external investment management for individual asset classes where appropriate.

22. Risk management (continued)

(B) Investment and financial risk (continued)

The Branch's investment management function is empowered with decision-making authority and complies with exposure limits as defined in Risk Standards.

(a) Liquidity risk

Liquidity risk is the risk that the Branch has insufficient cash or liquid assets available to meet its obligations when they become due. The Branch is exposed to liquidity risk in respect of insurance policies that permit surrender, withdrawal or other forms of early termination.

The Branch's liquidity is primarily derived from the operating cash flows of its life insurance operations.

Sources of funds considered in meeting the objectives of the Branch's operations include sales of securities and cash provided from such operations.

Management believes that the Branch's liquid assets, its net cash provided by operations, and access to the capital markets will enable it to meet any foreseeable cash requirements.

The Branch seeks to manage liquidity risk by matching to the extent possible and appropriate the duration of the investment assets with the duration of the insurance policies.

The Branch relies on a broad range of liquidity sources to meet funding needs. The Branch funds the operations mainly through the receipt of written premiums and policy fees from policyholders and the related investment income.

The primary goal of the Branch's asset and liability management activities is to achieve an optimal return while maintaining adequate levels of liquidity and capital and limiting overall risk exposure. In particular, the Branch has implemented various measures to:

- Design insurance products with a view towards reducing the possibility of unexpected liquidity demands.
- Monitor the Branch's liquidity position in compliance with regulatory and internal requirements.
- Prepare regular maturity gap analyses to enable management to review and monitor liquidity positions on a timely basis.

22. Risk management (continued)

(B) Financial risk (continued)

(a) Liquidity risk (continued)

(i) Contractual maturities of financial liabilities

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Total
2023	B$	B$	B$	B$
Financial liabilities				
Derivative financial instruments	(717)	-	-	(717)
Other liabilities (exclude lease liabilities)	(8,278,951)	-	-	(8,278,951)
Undiscounted contractual lease liabilities	(429,281)	(1,629,315)	(259,655)	(2,318,251)
	(8,708,949)	(1,629,315)	(259,655)	(10,597,919)

	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Total
2022 (restated)	B$	B$	B$	B$
Financial liabilities				
Derivative financial instruments	(484)	-	-	(484)
Other liabilities (exclude lease liabilities)	(9,467,679)	-	-	(9,467,679)
Undiscounted contractual lease liabilities	(370,103)	(1,458,251)	(586,077)	(2,414,431)
	(9,838,266)	(1,458,251)	(586,077)	(11,882,594)

(ii) Maturity analysis of insurance contracts

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after after 5 years	Total
	B$	B$	B$	B$			B$
2023							
Liabilities							
Insurance contracts	10,966,370	4,555,502	3,049,434	3,705,057	5,025,890	346,137,143	373,439,396
2022 (restated)							
Liabilities							
Insurance contracts	11,599,394	1,578,892	5,474,451	4,154,398	4,821,769	317,872,018	345,500,922

(b) Market risk

Market risk is the risk of financial loss from adverse movements in the value of assets owing to market factors, including changes in interest and foreign exchange rates, as well as movements in the spread of credit instruments to corresponding government bonds. The FRC approves all policies and metrics associated with the evaluation of market risk exposures.

22. Risk management (continued)

(B) Financial risk (continued)

(b) Market risk (continued)

Equity risk

Equity risk arises from changes in the market value of equity shares and equity funds. Investment in equity assets on a long-term basis is expected to provide diversification benefits and enhance returns.

Equity risk arising from the underlying items of participating contracts is generally borne by policyholders except to the extent of the Branch's share of the performance of the underlying items. The Branch is exposed to equity security price risk arising from the investments held by the Branch which are classified on the balance sheet as fair value through profit or loss. The portfolio of equities in the insurance funds are mainly listed in Singapore. For investment-linked contracts, the equity security price risk is borne by contract holders.

Interest rate risk

The Branch's exposure to interest rate risk predominantly arises from any difference between the tenor of the assets and liabilities, or any difference between the return on investments and insurance liabilities. Since most markets do not have assets of sufficient tenor to match life insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Branch's insurance liabilities. Exposure to interest rate risks may be split between variable, fixed and non-interest bearing instruments. This exposure can be heightened in products with inherent options or guarantees.

Insurance contracts with guaranteed and fixed terms carry the risk that interest income and capital redemptions from the financial assets backing the liabilities are insufficient to fund the guaranteed benefits payable. For other insurance contracts, the Branch is exposed to significantly less interest rate risk. This is in part because of the presence of non-guaranteed benefits (like dividends and bonuses) under participating contracts. For investment-linked contracts, the interest rate risk is borne by contract holders.

The Branch manages interest rate risk by ensuring appropriate insurance product design and underlying assumptions as part of the product approval process and by matching, to the extent possible and appropriate, the duration of the investment assets with the duration of insurance liabilities. For in-force policies, the Branch regularly reviews the bonus payout to participating policyholders and the crediting rates applicable to policyholder account balances, considering amongst other things the earned yields and policyholders' reasonable expectations.

22. Risk management (continued)

(B) Financial risk (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The table below summarises the nature of interest rate risk associated with financial assets:

	Variable rates B$	Fixed rates B$	Non-interest bearing B$	Total B$
At 31 December 2023				
Financial Assets				
Cash and cash equivalents	11,125,883	-	101	11,125,984
Debt securities	48,315,466	410,915,330		459,230,796
Equity shares	-	-	200,847,587	200,847,587
Loans and deposits	-	9,000,000	-	9,000,000
Other assets (exclude prepayments)	-	-	5,214,673	5,214,673
Total financial assets	**59,441,349**	**419,915,330**	**206,062,361**	**685,419,040**
At 31 December 2022 (restated)				
Financial Assets				
Cash and cash equivalents	12,196,682	-	10,112	12,206,794
Debt securities	36,435,375	375,177,940	-	411,613,315
Equity shares	-	-	196,623,276	196,623,276
Loans and deposits	-	9,000,000	-	9,000,000
Derivative financial instruments	-	-	69	69
Other assets (exclude prepayments)	-	-	5,140,816	5,140,816
Total financial assets	**48,632,057**	**384,177,940**	**201,774,273**	**634,584,270**

Credit spread risk

Credit spread risk arises from changes in the market value of non-government securities as a result of a change in perception as to their likelihood of repayment. These price changes are distinct from those resulting from changes in interest rates. The Branch invests in non-government securities in a number of its portfolios. Because these securities are mostly held to maturity, credit spread risk is only taken to the extent that the Branch may be forced to sell those securities before they mature.

The Branch nonetheless manages its credit spread risk carefully, focusing on overall portfolio quality and diversification and seeking to avoid excessive volatility in the mark-to-market value of its investment portfolios.

22. Risk management (continued)

(B) Financial risk (continued)

(b) Market risk (continued)

Foreign exchange rate risk

The Branch is exposed to foreign exchange rate risk due to changes in and volatility of foreign currency exchange rates. The Branch's non-monetary assets and liabilities are denominated in Singapore and Brunei Dollars.

Foreign currency transactions risk arising from the underlying items of participating contracts is generally borne by policyholders except to the extent of the Branch's share of the performance of the underlying items.

Based on the currency interchangeability agreement, Brunei and Singapore adopted a system of free interchangeability of their respective currencies, which took effect from 12 June 1967. Under the agreement, each country undertakes to accept the currency issued by the other and to exchange them, at par and without charge, into their own currency.

Foreign exchange rate exposure

The Branch's foreign exchange net assets/(liabilities) position by major currencies are shown in the following table:

	BND/SGD B$	USD B$	AUD B$	Others B$	Total B$
At 31 December 2023					
Insurance contracts and reinsurance contracts held					
Assets	**10,069,926**	**28,034**	**-**	**-**	**10,097,960**
Liabilities	**(238,281,399)**	**(172,457,075)**	**(12,432,806)**	**-**	**(423,171,280)**
Financial instruments					
Assets	**556,058,071**	**108,162,788**	**21,197,791**	**390**	**685,419,040**
Liabilities	**(9,438,896)**	**(625,766)**	**(242,697)**	**(1,299)**	**(10,308,658)**
Currency exposure		**(64,892,019)**	**8,522,288**	**(909)**	

	BND/SGD B$	USD B$	AUD B$	Others B$	Total B$
At 31 December 2022 (restated)					
Insurance contracts and reinsurance contracts held					
Assets	9,090,788	30,946	-	-	9,121,734
Liabilities	(214,613,432)	(170,538,863)	(13,969,512)	-	(399,121,807)
Financial instruments					
Assets	533,078,803	81,649,061	19,614,698	241,639	634,584,201
Liabilities	(10,639,464)	(620,619)	(328,961)	(455)	(11,589,499)
Currency exposure		(89,479,475)	5,316,225	241,184	

22. Risk management (continued)

(B) Financial risk (continued)

(b) Market risk (continued)

Foreign exchange rate risk (continued)

Sensitivity analysis on foreign exchange rate risk

A reasonably possible strengthening or weakening of the following currencies against all other currencies at the reporting date would have affected the measurement of insurance contracts and reinsurance contracts held and financial instruments denominated in foreign currency and affected the profit before tax, total equity and CSM by the amounts shown below. This analysis assumes that all other variables remain constant.

	USD B$	AUD B$	Others B$
31 December 2023			
5% strengthening of original currency			
Impact on profit before tax			
Insurance contracts and reinsurance contracts held	**(5,458,702)**	**(1,045,141)**	**-**
Financial instruments	**5,647,239**	**1,047,741**	**(45)**
Impact on total equity			
Insurance contracts and reinsurance contracts held	**(5,458,702)**	**(1,045,141)**	**-**
Financial instruments	**5,647,239**	**1,047,741**	**(45)**
Impact on CSM			
Insurance contracts and reinsurance contracts held	**224,732**	**(84,330)**	**-**

	USD B$	AUD B$	Others B$
31 December 2022 (restated)			
5% strengthening of original currency			
Impact on profit before tax			
Insurance contracts and reinsurance contracts held	(4,076,175)	(961,623)	-
Financial instruments	4,317,872	964,273	12,059
Impact on total equity			
Insurance contracts and reinsurance contracts held	(4,076,175)	(961,623)	-
Financial instruments	4,317,872	964,273	12,059
Impact on CSM			
Insurance contracts and reinsurance contracts held	653,389	(59,859)	-

22. Risk management (continued)

(B) Financial risk (continued)

(c) Credit risk

Credit risk is the risk that third parties fail to meet their obligations to the Branch when they fall due. Although the primary source of credit risk is the Branch's investment portfolio, such risk can also arise through reinsurance, procurement and treasury activities.

The Branch primarily manages the levels of credit risk it accepts on investments by investing only in securities with a minimum credit quality and placing limits on its exposure to securities of the same issuer, or in the same industry sector or geographical area.

To help manage this risk, the Branch adopts the overall policies, standards and procedures set up by AIA Group FRC which covers the approval of credit risk arising from activities (including activities that have been outsourced to third parties) regarding investing and reinsurance, including but not limited to operating cash in bank accounts, deposit placements of investment cash and treasury cash, fixed income securities, repurchase agreements, securities settlement, over-the-counter derivatives and reinsurance receivables.

In compiling the tables, external ratings have been used where available. External ratings have been used in accordance with the Group's credit risk assessment framework. Where external ratings are not readily available an internal rating methodology has been adopted, if applicable. Credit risk limits are set according to the Group's credit risk assessment framework, which defines the relative risk level of a debt security.

External ratings			
Standard and Poor's	**Moody's**	**Internal ratings**	**Reported as**
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba1 and below	5+ and below	Below investment grade

22. Risk management (continued)

(B) Financial risk (continued)

(c) Credit risk (continued)

Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk. The Branch's processes for measuring expected credit losses include processes for initial approval, regular validation and back-testing of the models used, and incorporation of forward-looking information.

The Branch's investment management function is empowered with decision-making authority and comply with agreed exposure limits, including those for selected industries, country risk and product types as defined in Risk Standards. The Branch's risk management function is responsible for overseeing the investment management function activities and ensuring that decision are subject to an appropriate level of governance.

The Branch monitors concentrations of credit arising from investment in debt securities by type, nature and rating as shown in Note 14. Reinsurance is ceded across all geographic regions in which the Branch operates. The Branch does not have excessive credit risk with any single reinsurer.

The following table sets out information about the credit quality of reinsurance contract assets and financial assets not measured at FVTPL.

Reinsurance contract assets

	As at 31 December 2023	As at 31 December 2022 (restated)
	B$	B$
AAA	**-**	-
AA	**-**	1,055,208
A	**6,999,737**	5,149,426
BBB	**3,098,223**	2,917,100
Total	**10,097,960**	9,121,734

22. Risk management (continued)

(B) Financial risk (continued)

(c) Credit risk (continued)

Financial assets measured at fair value through other comprehensive income

B$	**As at 31 December 2023 12-month ECL**	As at 31 December 2022 (restated) 12-month ECL
Debt securities		
AAA	**110,642,872**	97,088,248
A	**23,331,871**	20,695,378
BBB	**33,008,760**	39,649,906
Below investment grade	**5,065,742**	-
Total gross carrying amount	**172,049,245**	157,433,532
Loss allowance	**(277,903)**	(273,264)
Amortised cost	**171,771,342**	157,160,268
Carrying amount – fair value	**168,247,323**	144,947,949

Financial assets that are neither past due nor impaired

Cash, interest income due or accrued and derivative financial instruments are with parties of high credit-ratings assigned by international credit-rating agencies. These receivables are neither past due nor impaired and are due from companies with good collection track record with the Branch.

(d) Derivative financial instruments

When permitted by regulatory authorities and when deemed necessary to protect insurance assets, including invested assets, from adverse movements in foreign currency exchange rates, interest rates and equity prices, the Branch may enter into derivative transactions as an end user. The more significant types of derivative arrangements in which the Branch transacts are forward contracts.

22. Risk management (continued)

(B) Financial risk (continued)

(e) Sensitivity analysis

Sensitivity analysis to the key variables, namely interest rate and equity risk, affecting insurance contracts and reinsurance contracts held, and financial instruments held by the Branch is set out below. The carrying values of other financial assets are not subject to changes in response to movements in interest rates or equity prices. In calculating the sensitivity to changes in interest rates and equity prices, the Branch has made assumptions about the corresponding impact of asset valuations on liabilities to policyholders.

Information is presented to illustrate the estimated impact on profits, total equity, allocated equity and CSM arising from a change in a single variable before taking into account the effects of taxation. The effects on these items are as mainly follows:

- The effects on profit or loss are changes relating to loss components and changes in investment return, insurance finance income or expenses and foreign exchange differences that are recognised in profit or loss.
- The effects on equity are the effects on profit or loss, and the effects on other comprehensive income arising from net changes in net investment results and net insurance finance income or expenses.
- The effects on CSM reflects the change of the corresponding market risks that impacts CSM.

The impact of any impairments of financial assets has been ignored for the purpose of illustrating the sensitivity of profit before tax, total equity, allocated equity and CSM before the effects of taxation to changes in interest rates and equity prices on the grounds that default events reflect the characteristics of individual issuers. The sensitivity analysis indicates the effect of changes in market risk factors arising from the impact of the changes in these factors on the Branch's profit before tax and other comprehensive income. This includes all investment in debt and equity shares excluding investment-linked contracts as the risk is borne by contract holders and is excluded from the sensitivity analysis.

22. Risk management (continued)

(B) Financial risk (continued)

(e) ***Sensitivity analysis*** (continued)

Sensitivity analysis on interest rate risk

An analysis of the Branch's sensitivity to 50 basis points parallel increase or decrease in yield curves at the reporting date, assuming that all other variables remain constant, is presented below.

	Impact on profit before tax B$	Impact on total equity (before the effects of taxation) B$	Impact on CSM B$
31 December 2023			
+ 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	15,590,034	15,611,963	12,029,512
Financial instruments	(17,204,878)	(25,385,652)	N/A
	(1,614,844)	(9,773,689)	
- 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	(18,632,184)	(18,574,153)	(14,234,341)
Financial instruments	19,054,508	28,051,728	N/A
	422,324	9,477,575	
31 December 2022 (restated)			
+ 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	14,692,654	14,012,816	(9,719,285)
Financial instruments	(14,317,568)	(21,066,442)	N/A
	375,086	(7,053,626)	
- 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	(16,216,320)	(15,489,787)	10,859,171
Financial instruments	15,798,712	23,196,758	N/A
	(417,608)	7,706,971	

22. Risk management (continued)

(B) Financial risk (continued)

(e) Sensitivity analysis (continued)

Sensitivity analysis on equity risk

An analysis of the Branch's sensitivity to 10% increase or decrease in equity prices at the reporting date, assuming that all other variables remain constant, is presented below.

	Impact on profit before tax B$	**Impact on total equity (before the effects of taxation) B$**	**Impact on CSM B$**
31 December 2023			
10 per cent increase in equity prices:			
Insurance contracts and reinsurance contracts held	(9,199,145)	(9,198,683)	1,895,382
Financial instruments	12,469,534	12,469,534	N/A
	3,270,389	3,270,851	
10 per cent decrease in equity prices:			
Insurance contracts and reinsurance contracts held	9,199,145	9,198,683	(1,895,382)
Financial instruments	(12,469,534)	(12,469,534)	N/A
	(3,270,389)	(3,270,851)	
31 December 2022			
10 per cent increase in equity prices:			
Insurance contracts and reinsurance contracts held	(9,606,968)	(9,606,742)	2,025,057
Financial instruments	12,560,194	12,560,194	N/A
	2,953,226	2,953,452	
10 per cent decrease in equity prices:			
Insurance contracts and reinsurance contracts held	9,607,341	9,607,132	(2,025,057)
Financial instruments	(12,560,194)	(12,560,194)	N/A
	(2,952,853)	(2,953,062)	

(f) Underlying items of contracts with direct participation features

The following table sets out the composition and the fair value of the underlying items for the Branch's contracts with direct participation features at the reporting date.

	As at 31 December 2023 B$	As at 31 December 2022 (restated) B$
Cash and cash equivalents	**11,012,637**	10,173,436
Financial investments and policy loan	**465,291,230**	440,044,910
Property held for own use and investment property	**1,952,256**	2,047,141
Other assets	**9,869,207**	9,120,235
Less: payables and other liabilities	**(68,234,640)**	(68,197,733)
Total	**419,890,690**	393,187,989

23. Employee compensation

During the financial year ended 31 December 2023, the AIAGL made further awards of share options and restricted share units ("RSUs") to certain directors, officers and employees of the Branch under the RSU Scheme, and the Employee Share Purchase Plan ("ESPP"). In addition, the AIAGL made further awards of restricted stock subscription units ("RSSUs") to eligible agents under the Agency Share Purchase Plan ("ASPP").

(i) RSU Scheme

Under the RSU Scheme, the vesting of the awarded RSUs is conditional upon the eligible participants remaining in employment with the AIAGL during the respective vesting periods. RSU awards are vested either entirely after a specific period of time or in tranches over the vesting period. For RSU awards that are vested in tranches, each vesting tranche is accounted for as a separate award for the purposes of recognising the expense over the vesting period. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of the vesting period depending on the actual achievement of the performance conditions. During the vesting period, the participants are not entitled to dividends of the underlying shares.

	2023 Number of shares	2022 Number of shares
Restricted Share Units		
Outstanding at beginning of financial year	**11,880**	10,872
Granted	**4,616**	4,738
Vested	**(2,021)**	(2,075)
Forfeited	**(2,021)**	(1,655)
Outstanding at end of financial year	**12,454**	11,880

23. Employee compensation (continued)

(ii) ESPP

Under the plan, eligible employees of the Branch can purchase ordinary shares of AIAGL with qualified employee contributions and the AIAGL will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions (contribution shares). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIAGL. The level of qualified employee contribution is limited to not more than 10% (2022: 10%) of the annual basic salary subject to a maximum of HK$150,000 (2022: HK$150,000) per annum. The awarded matching restricted stock purchase units are expected to be settled in equity. For the financial year ended 31 December 2023, eligible employees paid B$81,988 (2022: B$79,962) to purchase 6,391 (2022: 5,821) ordinary shares of AIAGL.

(iii) ASPP

The structure of ASPP generally follows that of ESPP, the key difference being that the eligible agents are required to pay a subscription price of US$1 to subscribe for each new share in AIAGL at the end of the vesting period. Under the plan, eligible agents of the Branch can purchase ordinary shares of AIAGL with qualified agent contributions and AIAGL will award one matching restricted stock subscription unit to them at the end of the vesting period for each two shares purchased through qualified agent contributions (agent contribution shares). Each restricted stock subscription unit entitles eligible agents to subscribe for one new share of AIAGL. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased during the plan cycle and maintain their agent contracts with the AIAGL. The level of qualified agent contribution is subject to a maximum of HK$150,000 (2022: HK$150,000) per annum. For the financial year ended 31 December 2023, eligible agents paid B$114,363 (2022: B$143,598) to purchase 8,797 (2022: 10,614) ordinary shares of AIAGL.

23. Employee compensation (continued)

(iv) Valuation methodology

The Branch utilises a binomial lattice model to calculate the fair value of the share options awards, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, ESPP and ASPP awards, taking into account the terms and conditions upon which the awards were granted. The price volatility is estimated on the basis of implied volatility of AIAGL's shares which is based on an analysis of historical data since they are traded on the Hong Kong Stock Exchange. The expected life of the options is derived from the output of the valuation model and is calculated based on an analysis of expected exercise behaviour of the Branch's employees. The estimate of market condition for performance based RSUs is based on one-year historical data preceding the grant date. An allowance for forfeiture prior to vesting is not included in the valuation of the awards.

The fair value calculated for share options is inherently subjective due to the assumptions made and the limitations of the model utilised.

	Year ended 31 December 2023		
	Restricted share units	**ESPP Restricted stock purchase units**	**ASPP Restricted stock subscription units**
Assumptions			
Risk-free interest rate	**3.27%***	**4.07%**	**2.87%**
Volatility	**28%**	**NA**	**NA**
Dividend yield	**1.6%**	**1.7%**	**1.6%**
Weighted average fair value per option/unit at measurement date (HK$)	**63.91**	**61.18**	**57.02**

	Year ended 31 December 2022		
	Restricted share units	**ESPP Restricted stock purchase units**	**ASPP Restricted stock subscription units**
Assumptions			
Risk-free interest rate	1.57%*	3.83%	2.12%
Volatility	26%	NA	NA
Dividend yield	1.7%	1.6%	1.7%
Weighted average fair value per option/unit at measurement date (HK$)	63.74	73.56	58.32

* Applicable to RSU with market conditions.

23. Employee compensation (continued)

(v) *Recognised compensation cost*

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards granted under the RSU Scheme, ESPP & ASPP by the Branch for the financial year ended 31 December 2023 is B$72,613 (2022: B$146,240).

24. Related party transactions

In the normal course of its business, the Branch carries out transactions with related parties, principally with its head office, and with branches and subsidiaries of its Head Office.

The following related party transactions took place between the Branch and its related parties during the financial year on terms agreed between the parties concerned:

	2023 **B$**	2022 B$
Reinsurance premiums paid to related company	**162,098**	201,023
Reinsurance claims recovered from related company	**-**	31,298
Reinsurance commission received from related company	**1,308**	1,499
Service fee and other expenses paid to Head Office	**4,453,421**	5,504,144
Service fee and other expenses paid to related companies	**1,680,584**	1,691,384
Service fee and other expenses paid to ultimate holding company	**76,221**	152,060
Payment made on behalf by Head Office	**183,492**	159,039
Payment made on behalf by ultimate holding company	**169,602**	228,648
Net collection of premium on behalf by Head Office	**26,371**	1,729,383

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel.

Outstanding balances at 31 December 2023, arising from the services, are unsecured and payable within 12 months from balance sheet date and are disclosed in Note 20.

Remuneration of key management personnel is disclosed in Note 8.

25. Capital management

Objectives, policies and processes for managing capital

The primary capital management objectives of the Branch are to maintain a strong capital base to support the development of its business and to satisfy regulatory capital requirements at all times.

The Branch recognises the impact on shareholder returns of the level of equity capital employed and seeks to maintain a conservative balance. The Branch has in place a Capital Management Policy.

Externally imposed capital requirements

Regulatory capital requirements arise from the Branch's insurance operations. The Branch is in compliance with the solvency and capital adequacy requirements of its regulators. The primary insurance regulator of the Branch is the Brunei Darussalam Central Bank.

The solvency status of the Branch is reported to executive management on a frequent basis to facilitate pre-emptive actions when necessary.

The Branch is required to comply with the regulatory capital requirement prescribed in the Insurance Order, 2006 and Insurance Regulations, 2006:

- Excess of Assets over Liabilities: Section 8, Insurance Regulation 2006
- Premium Test: Section 10, Insurance Regulation 2006
- Fund Margin of Solvency: Section 21(4), Insurance Order 2006 and Section 8, Insurance Regulation 2006

The Branch has a Fund Margin of Solvency of 152% for the financial year ended 31 December 2023 (2022: 143%).

The Branch's Fund Margin of Solvency will be 162% (2022: 151%) if unit reserves of investment-linked plan are exempted in the application of clause 10 of Insurance Regulation 2006.

26. Effects of adoption of IFRS 9 and IFRS 17

Except for the changes below, the Branch has consistently applied the accounting policies as set out in Note 2 to all periods presented in these FRSs. The Branch has adopted IFRS 9 and IFRS 17, including any consequential amendments to other standards, with a date of initial adoption of 1 January 2023. The following table set out the impact of initial adoption of these standards on the Branch's equity at 1 January 2022.

B$	As at 31 December 2021 (As previously reported)	Impact upon initial adoption of IFRS 9 and IFRS 17	As at 1 January 2022 (restated)
Equity			
Retained earnings	192,202,741	38,186,934	230,389,675
Reserves			
Fair value reserve	31,973,251	(21,541,349)	10,431,902
Insurance finance reserve	-	(70,660)	(70,660)
Others	67,822	-	67,822
Amounts reflected in other comprehensive income	32,041,073	(21,612,009)	10,429,064
Total equity	**224,243,814**	**16,574,925**	**240,818,739**

(A) IFRS 17 Insurance Contracts

(a) Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts held. It introduces a model that measures groups of contracts based on the Branch's estimates of the present value of future cash flows that are expected to arise as the Branch fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Branch expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are excluded from insurance revenue and insurance service expenses.

The Branch no longer applies shadow accounting to insurance-related assets and liabilities.

Insurance finance income or expenses, disaggregated between profit or loss and other comprehensive income for the relevant business in participating funds, other policyholder and shareholder and unit-linked funds, are presented separately from insurance revenue and insurance service expenses.

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(A) IFRS 17 Insurance Contracts (continued)

(a) Recognition, measurement and presentation of insurance contracts (continued)

The Branch applies the premium allocation approach to simplify the measurement of certain contracts. When measuring liabilities for remaining coverage, the premium allocation approach is similar to the Branch's previous accounting treatment; however, when measuring liabilities for incurred claims, the Branch now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk, as appropriate.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ("deferred acquisition costs") and are subsequently amortised over the expected life of the contracts. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented as part of the carrying amount of the related portfolio of contracts and are subsequently derecognised when respective groups of contracts are recognised and hence included in the CSM measurement of that group.

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

For an explanation of how the Branch accounts for insurance contracts and reinsurance contracts held under IFRS 17, see Note 2.3

(b) Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022, the Branch:

- identified, recognised and measured each group of insurance contracts and reinsurance contracts held as if IFRS 17 Note 2.3.5 was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included deferred acquisition costs for insurance contracts, insurance receivables and payables, policy loans and its accrued interest revenue and provisions that are attributable to existing insurance contracts, etc. Under IFRS 17, these are included in the measurement of the insurance contracts;
- recognised any resulting net difference in equity.

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(A) IFRS 17 Insurance Contracts (continued)

(b) Transition (continued)

(i) Insurance contracts and reinsurance contracts held

For certain groups of contracts, the Branch applied the modified retrospective approach or the fair value approach in IFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022 because it was impracticable to apply the full retrospective approach.

The Branch considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances.

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach required assumptions about what Branch management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight, the application of full retrospective approach is considered as impracticable if such assumptions and estimates were not determinable.

Irrespective of the transition approach used, the following items have not been applied retrospectively.

- When the Branch uses derivatives to mitigate the financial risk from interest rate guarantees in traditional participating contracts and equity guarantees in variable annuity contracts, the option to exclude changes in the effect of that financial risk from the CSM has not been applied for periods before 1 January 2023.

To indicate the effect of applying the modified retrospective approach or the fair value approach on the CSM, insurance revenue and insurance finance income or expenses, the Branch has provided additional disclosures in Notes 2.3.9, Note 6, Note 7 and Note 19.

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(A) IFRS 17 Insurance Contracts (continued)

(b) Transition (continued)

(ii) Assets for insurance acquisition cash flows

The Branch also applied the modified retrospective approach or the fair value approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:
- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Branch would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

(iii) Effect of initial adoption

The Branch has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item.

(B) IFRS 9 Financial Instruments

(a) Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available for sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

For explanations of how the Branch classifies and measures financial assets and accounts for related gains and losses under IFRS 9, see Note 2.4. IFRS 9 has not had a significant effect on the Branch's accounting policies for financial liabilities and hedge accounting.

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(B) IFRS 9 Financial Instruments (continued)

(b) Impairment of financial assets

IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” model. The new impairment model applies to financial assets measured at amortised cost, debt securities at fair value through other comprehensive income, trade receivables and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39 (see Note 2.4.3).

(c) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

- The comparative period has been restated. As permitted under IFRS 17, the Branch has elected to apply classification overlay in the comparative period presented. The classification overlay has been applied to all financial assets that had been derecognised before 1 January 2023 based on how those assets are expected to be classified on initial adoption of IFRS 9. In applying the classification overlay to financial assets derecognised during the comparative period, the Branch has applied the impairment requirements of IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2023.
- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at fair value through profit or loss.
- If an investment in a debt security had low credit risk at 1 January 2023, then the Branch determined that the credit risk on the asset had not increased significantly since initial recognition.

As permitted by IFRS 17, the Branch has not disclosed information about the line item amounts that are reported in accordance with the classification and measurement (including impairment) requirements of IFRS 9 for 2022 and those that would have been reported in accordance with the classification and measurement requirements of IAS 39 for 2023.

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(B) IFRS 9 Financial Instruments (continued)

(d) Effect of initial adoption

(i) Classification of financial assets and financial liabilities

The following table shows the original measurement category and carrying amount under IAS 39 and the new measurement category and carrying amount under IFRS 9 for each class of the Branch's financial assets and financial liabilities.

B$	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 As at 31 December 2022	New carrying amount under IFRS 9 As at 1 January 2023
Financial assets				
Debt securities	Available for sale	FVTPL (mandatory)	7,720,472	7,720,472
Debt securities	Available for sale	FVTPL (designated)	258,944,894	258,944,894
Debt securities	Available for sale	FVOCI	144,947,949	144,947,949
Loans and deposits	Loans and receivables	Amortised cost	9,000,000	9,000,000
Equity shares	FVTPL	FVTPL (mandatory)	71,021,333	71,021,333
Equity shares	Available for sale	FVTPL (mandatory)	125,601,936	125,601,943
Derivative assets	FVTPL	FVTPL (mandatory)	69	69
Accrued investment income	Loans and receivables	Amortised cost	4,507,176	4,507,176
Receivables	Loans and receivables	Amortised cost	633,640	633,640
Cash and cash equivalents	Loans and receivables	Amortised cost	12,231,960	12,206,794
Total financial assets			**634,609,429**	**634,584,270**
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	12,151,168	9,186,301
Total financial liabilities			**12,151,168**	**9,186,301**

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(B) IFRS 9 Financial Instruments (continued)

(d) Effect of initial adoption (continued)

(i) Classification of financial assets and financial liabilities (continued)

The Branch's accounting policies on the classification of financial instruments under IFRS 9 are set out in Note 2.4. The application of these policies resulted in the reclassifications set out in the table above and explained below.

(a) Under IAS 39, certain debt securities that were classified as available for sale financial assets; under IFRS 9, a portion of these assets are mandatorily measured at fair value through profit or loss either because their contractual cash flows do not represent solely payments of principal and interest on the principal amount outstanding or they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Some of these debt securities are designated as at fair value through profit or loss to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise, while others are classified as fair value through other comprehensive income based on the criteria in IFRS 9.

(b) Under IAS 39, equity shares and interests in investment funds were designated as at fair value through profit or loss because they are managed on a fair value basis. Under IFRS 9, these assets are mandatorily measured at fair value through profit or loss because they do not give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding and the Branch has not elected to measure them at fair value through other comprehensive income.

There are no changes in carrying amounts of equity shares, interests in investment funds, derivative assets and financial liabilities except for payables under IAS 39 to the carrying amounts under IFRS 9. The following table reconciles the carrying amounts of other financial assets and payables that there are reclassifications and/or remeasurement on transition to IFRS 9 on 1 January 2023.

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(B) IFRS 9 Financial Instruments (continued)

(d) Effect of initial adoption (continued)

(i) Classification of financial assets and financial liabilities (continued)

B$	31 December 2022 IAS 39	Reclassification	1 January 2023 IFRS 9
Financial assets			
Financial assets measured at fair value through profit or loss			
Debt securities			
Reclassified from available for sale	-	266,665,366	-
Carried forward	-	-	266,665,366
Total financial assets measured at fair value through profit or loss	**-**	**266,665,366**	**266,665,366**
Debt securities measured at fair value through other comprehensive income			
Debt securities			
Reclassified from available for sale	-	144,947,949	-
Carried forward	-	-	144,947,949
Total debt securities measured at fair value through other comprehensive income	**-**	**144,947,949**	**144,947,949**
Available for sale debt securities			
Brought forward	411,613,315	**-**	**-**
Reclassified to fair value through other comprehensive income	-	(144,947,949)	-
Reclassified to fair value through profit or loss	-	(266,665,366)	-
Total available for sale debt securities	**411,613,315**	**(411,613,315)**	-

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(B) IFRS 9 Financial Instruments (continued)

(d) Effect of initial adoption (continued)

(i) Classification of financial assets and financial liabilities (continued)

B$	31 December 2022 IAS 39	Remeasurement	1 January 2023 IFRS 9
Financial assets measured at amortised cost			
Loans and deposits			
Brought forward: Loans and receivables	9,000,000	-	-
Carried forward	-	-	9,000,000
Accrued investment income			
Brought forward: Loans and receivables	4,507,176	-	-
Carried forward	-	-	4,507,176
Receivables			
Brought forward: Loans and receivables	636,589	-	-
Carried forward	-	-	636,589
Cash and cash equivalents			
Brought forward: Loans and receivables	12,231,960	-	-
Remeasurement	-	(25,166)	-
Carried forward	-	-	12,206,794
Total financial assets measured at amortised cost	**26,375,725**	**(25,166)**	**26,350,559**

B$	31 December 2022 IAS 39	Remeasurement	1 January 2023 IFRS 9
Financial liabilities			
Trade and other payables measured at amortised cost			
Trade and other payables			
Brought forward	12,151,168	-	-
Derecognised on transition to IFRS 17[(1)]	-	(2,964,867)	-
Carried forward	-	-	9,186,301
Total trade and other payables measured at amortised cost	**12,151,168**	**(2,964,867)**	**9,186,301**

Notes:
(1) Under IFRS 17, disbursement clearing liabilities, attributable expense payable and reinsurance payables are included in the measurement of insurance contracts and reinsurance contracts held

26. Effects of adoption of IFRS 9 and IFRS 17 (continued)

(B) IFRS 9 Financial Instruments (continued)

(d) Effect of initial adoption (continued)

(ii) Impairment of financial assets

The following table reconciles the closing impairment allowance in accordance with IAS 39 as at 31 December 2022 with the opening loss allowance determined in accordance with IFRS 9 as at 1 January 2023.

	31 December 2022 IAS 39	Remeasurement	1 January 2023 IFRS 9
Debt securities at FVOCI under IFRS 9: from available for sale under IAS 39	-	(273,264)	(273,264)
Financial assets at amortised cost under IFRS 9: from loans and receivables under IAS 39	-	(27,232)	(27,232)
	-	**(300,496)**	**(300,496)**

27. Authorisation of financial statements

These financial statements were authorised for issue by the Board of Directors of AIA Singapore Private Limited on 27 March 2024.