

AIA SINGAPORE PRIVATE LIMITED -
BRUNEI DARUSSALAM BRANCH

ANNUAL REPORT

For the financial year ended 31 December 2025

**AIA SINGAPORE PRIVATE LIMITED -
BRUNEI DARUSSALAM BRANCH**

ANNUAL REPORT

For the financial year ended 31 December 2025

Contents

	Page
Independent Auditor's Report	1
Statement of Comprehensive Income	5
Balance Sheet	6
Statement of Changes in Head Office Account	7
Statement of Cash Flows	8
Notes to the Financial Statements	11



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 as at 31 December 2025, and of its financial performance and of its cash flows for the year then ended, as shown in the books maintained in Brunei Darussalam, in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards and the provisions of the Brunei Darussalam Companies Act, Chapter 39 (the "Act").

What we have audited

The financial statements of the Branch comprise:

- the statement of comprehensive income for the financial year ended 31 December 2025;
- the balance sheet as at 31 December 2025;
- the statement of changes in head office account for the financial year ended 31 December 2025;
- the statement of cash flows for the financial year ended 31 December 2025; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

PricewaterhouseCoopers Services, 13th Floor, PGGMB Building,
Jalan Kianggeh, Bandar Seri Begawan BS8111, Brunei Darussalam
+673 224 1951



Independent Auditor's Report
To the Board of Directors and Shareholders of
AIA Singapore Private Limited - Brunei Darussalam Branch
Page 2

Basis for Opinion

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

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Act and IFRS Accounting Standards, 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.



Independent Auditor's Report
To the Board of Directors and Shareholders of
AIA Singapore Private Limited - Brunei Darussalam Branch
Page 3

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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, 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.



Independent Auditor's Report
To the Board of Directors and Shareholders of
AIA Singapore Private Limited - Brunei Darussalam Branch
Page 4

- 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

A handwritten signature in blue ink, appearing to read 'Xiang Yui', with a stylized flourish at the end.

Chai Xiang Yui
Partner

Brunei Darussalam
27 March 2026

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2025

	Notes	2025 B\$	2024 B\$
Insurance revenue	6,19	27,812,151	26,407,377
Insurance service expenses	8,19	(16,976,716)	(15,889,695)
Net expenses from reinsurance contracts held	19	(1,048,766)	(1,556,655)
Insurance service result		9,786,669	8,961,027
Interest revenue on			
Financial assets not measured at fair value through profit or loss	7	6,308,732	6,120,852
Financial assets measured at fair value through profit or loss	7	11,861,860	11,424,657
Other investment return	7	62,268,608	26,087,311
Net reversal of impairment/(impairment loss) on financial assets	7	17,722	(46,650)
Investment revenue		80,456,922	43,586,170
Net finance expenses from insurance contracts	7	(55,954,790)	(35,748,314)
Net finance income from reinsurance contracts held	7	184,179	289,015
Net investment result		24,686,311	8,126,871
Other operating revenue		10,005	7,069
Operating expenses	8	(2,597,559)	(2,502,875)
Other finance costs	8	(54,283)	(59,845)
Profit before tax		31,831,143	14,532,247
Income tax (expense)/credit	9	(4,136,917)	13,276,706
Profit after tax		27,694,226	27,808,953
Other comprehensive income (“OCI”):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gains on financial assets at fair value through other comprehensive income	7,21	7,394,336	4,870,436
Fair value gains on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal	7,21	(2,222,278)	(530,655)
Net finance income from insurance contracts	7	517,434	116,580
Net finance income from reinsurance contracts held	7	387,780	484,661
Other comprehensive gains		6,077,272	4,941,022
Total comprehensive gains		33,771,498	32,749,975



Cecilia Phan
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 2025

	Notes	As at 31 Dec 2025 B\$	As at 31 Dec 2024 B\$
ASSETS			
Property and equipment	11	2,056,359	2,540,307
Reinsurance contract assets	19	10,650,407	9,980,338
Financial investments:			
<i>At amortised cost</i>			
Loans and deposits	13	9,000,000	9,000,000
<i>At fair value through other comprehensive income</i>			
Debt securities	13	209,686,706	188,235,446
<i>At fair value through profit or loss</i>			
Debt securities	13	318,486,405	289,338,393
Equity shares	13	296,327,905	245,063,573
		833,501,016	731,637,412
Deferred tax assets	10	39,073	40,033
Current tax recoverable	9	3,217,141	5,667,280
Other assets	16	5,912,542	5,525,867
Cash and cash equivalents	17	6,147,417	11,715,806
Total assets		861,523,955	767,107,043
LIABILITIES			
Insurance contract liabilities	19	528,318,992	467,185,161
Derivative financial instruments	14	11	65
Other liabilities	20	9,328,635	9,815,010
Total liabilities		537,647,638	477,000,236
HEAD OFFICE ACCOUNT			
Retained earnings		317,247,136	289,552,910
Other reserves	21	6,629,181	553,897
Total head office account		323,876,317	290,106,807
Total liabilities and head office account		861,523,955	767,107,043



Cecilia Phan
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 2025

	<u>Retained earnings</u> B\$	<u>Fair value reserve</u> B\$	<u>Insurance finance reserve</u> B\$	<u>Others</u> B\$	<u>Total Head Office Account</u> B\$
2025					
Balance at 1 January 2025	289,552,910	815,761	(327,087)	65,223	290,106,807
Profit after tax	27,694,226	-	-	-	27,694,226
Fair value gains on financial assets at fair value through other comprehensive income	-	7,394,336	-	-	7,394,336
Fair value gains on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal	-	(2,222,278)	-	-	(2,222,278)
Net finance income from insurance contracts	-	-	517,434	-	517,434
Net finance income from reinsurance contracts held	-	-	387,780	-	387,780
Total comprehensive gains for the financial year	27,694,226	5,172,058	905,214	-	33,771,498
Share-based compensation (Note 21)	-	-	-	(1,988)	(1,988)
At 31 December 2025	317,247,136	5,987,819	578,127	63,235	323,876,317

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 2025

	<u>Retained earnings</u> B\$	<u>Fair value reserve</u> B\$	<u>Insurance finance reserve</u> B\$	<u>Others</u> B\$	<u>Total Head Office Account</u> B\$
2024					
Balance at 1 January 2024	261,743,957	(3,524,020)	(928,328)	84,339	257,375,948
Profit after tax	27,808,953	-	-	-	27,808,953
Fair value gains on financial assets at fair value through other comprehensive income	-	4,870,436	-	-	4,870,436
Fair value gains on financial assets at fair value through other comprehensive income reclassified to profit or loss on disposal	-	(530,655)	-	-	(530,655)
Net finance income from insurance contracts	-	-	116,580	-	116,580
Net finance income from reinsurance contracts held	-	-	484,661	-	484,661
Total comprehensive gains for the financial year	27,808,953	4,339,781	601,241	-	32,749,975
Share-based compensation (Note 21)	-	-	-	(19,116)	(19,116)
At 31 December 2024	289,552,910	815,761	(327,087)	65,223	290,106,807



Cecilia Phan
General Manager

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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2025

	Notes	2025 B\$	2024 B\$
Cash flows from operating activities			
Profit after tax		27,694,226	27,808,953
Adjustments for:			
- Change in insurance and reinsurance contracts assets/liabilities		70,687,685	40,145,191
- Net gains on investment	7	(74,682,139)	(18,667,943)
- Net unrealised foreign exchange losses		851,455	624,164
- Investment income	7	(20,140,641)	(19,513,348)
- Interest expense	12	54,283	59,845
- Income tax expense/(credit)	9	4,136,917	(13,276,706)
- Other adjustments for non-cash items		563,732	610,807
Net purchases of other financial assets		(32,207,980)	(35,859,442)
Net purchases of derivative financial instruments		(8,688)	(4,262)
Changes in working capital		(419,561)	(719,626)
Interest received		18,194,657	17,662,045
Dividend received		1,974,967	1,962,921
Income tax paid	9	(1,685,818)	(33,658)
Net cash (used in)/provided by operating activities		(4,986,905)	798,941
Cash flows from investing activities			
Net purchases of property and equipment (excluding right-of-use assets)	11	(166,990)	(34,190)
Net cash used in investing activities		(166,990)	(34,190)
Cash flows from financing activities			
Repayment of lease liabilities	12	(442,634)	(437,071)
Net cash used in financing activities		(442,634)	(437,071)
Net (decrease)/increase in cash and cash equivalents		(5,596,529)	327,680
Effect of exchange rate changes on cash and cash equivalents		28,140	262,142
Cash and cash equivalents at beginning of financial year		11,715,806	11,125,984
Cash and cash equivalents at end of financial year	17	6,147,417	11,715,806

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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2025

Reconciliation of liabilities arising from financing activities

	1 January 2025 B\$	Principal payments B\$	Non-cash changes B\$				31 December 2025 B\$
			Interest expense	Addition – new leases	Modification of lease liabilities	Termination of lease agreement	
Lease liabilities and lease reinstatement accrual	2,018,146	(442,634)	54,283	-	(87,206)	-	1,542,589

	1 January 2024 B\$	Principal payments B\$	Non-cash changes B\$				31 December 2024 B\$
			Interest expense	Addition – new leases	Modification of lease liabilities	Termination of lease agreement	
Lease liabilities and lease reinstatement accrual	2,187,767	(437,071)	59,845	-	207,605	-	2,018,146



Cecilia Phan
General Manager

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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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.

The principal activity of the Branch is to underwrite life insurance.

2. Material accounting policy information

2.1 Basis of preparation

These financial statements of AIA Singapore Private Limited - Brunei Branch (“the Branch”) have been prepared in accordance with the provision of the Brunei Darussalam Companies Act, Chapter 39 (the “Act”) and the 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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.1 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 discretionary participation features (“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 resulting in contract modification as highlighted in Note 2.2.9.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.1 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 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 2.2.7) 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 2.2.2 to Note 2.2.10 below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.2 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.

2.2.3 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. Groups 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.4 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 to the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.4 Fulfilment cash flows and contract boundaries (continued)

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.

2.2.5 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.5 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.

2.2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.6 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 or becomes 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.6 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;

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.6 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.

2.2.7 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.
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.7 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.8 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.

Reinsurance of onerous underlying insurance contracts

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.8 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.

2.2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.9 Derecognition and contract modification (continued)

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.

2.2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.10 Presentation (continued)

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 reinsurance 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.2 Insurance contracts and reinsurance contracts held (continued)

2.2.10 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.

2.3 Financial instruments

2.3.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.3 Financial instruments (continued)

2.3.1 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.

Financial assets and liabilities at fair value through profit or loss

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 statement of comprehensive income, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.3 Financial instruments (continued)

2.3.1 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 statement of comprehensive income 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 statement of comprehensive income as other investment return. For impairment, reference is made to the section "Impairment of financial assets" in Note 18.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.3 Financial instruments (continued)

2.3.1 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.

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, reported net in the balance sheet, are offset 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.3 Financial instruments (continued)

2.3.1 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 those 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.

2.3.2 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 balance sheet. 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 each balance sheet date. 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 balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.3 Financial instruments (continued)

2.3.3 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 balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.3 Financial instruments (continued)

2.3.3 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.

2.3.4 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 balance sheet 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.

2.4 Presentation of the balance sheet

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 balance sheet 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.5 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.

2.6 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.6 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.

2.7 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:

	<u>Useful lives</u>
Property held for own use - Leasehold buildings	2 to 6 years
Furniture, fittings, fixtures and equipment	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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.7 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.

2.8 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.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.9 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 of AIAGL. These share-based compensation plans comprise 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 an equity-settled share-based compensation plan, the fair value of the services received in exchange for the grant of AIAGL’s shares 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 shares awarded. Non-market vesting conditions are included in assumptions about the number of shares that are expected to be vested. At each period end, the Branch revises its estimates of the number of shares 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.

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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

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

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

Right-of-use assets 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.11 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.

2.12 Related party transactions

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

2.13 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 estimates used to determine the asset’s 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

2. Material accounting policy information (continued)

2.13 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.

2.14 Transfers to Head Office

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

2.15 BEPS Pillar Two income taxes

The Global Minimum Tax regime (“GMT”), developed as part of the second pillar (known as “Pillar Two”) of the Organisation for Economic Co-operation and Development’s (“OECD”) current programme of work on international tax reform to counteract perceived base erosion and profit shifting (“BEPS”) by multinational enterprises (“MNE”), commonly referred to as “BEPS 2.0”, seeks to impose a minimum effective tax rate of 15 per cent on large MNEs in respect of each jurisdiction in which they operate .

In 2021, the OECD/G20 Inclusive Framework on BEPS published the Global Anti-Base Erosion (“GloBE”) Model Rules, as the basis for jurisdictions to enact new local tax laws to give effect Pillar Two of BEPS 2.0. The GMT top-up tax refers to “Pillar Two income taxes” which are income taxes arising from tax law enacted to implement the GloBE Model Rules, including tax law that implements a qualified domestic minimum top-up tax (“QDMTT”) described in those rules.

As at 31 December 2025, GMT legislation has not been enacted in Brunei. Accordingly, the Brunei Branch is not subject to any requirement to perform a GMT top-up tax analysis or to report to the Brunei Tax Authorities in respect of its local operations. Notwithstanding this, the Brunei Branch is included within the scope of the Income Inclusion Rule assessment undertaken at its ultimate parent company, AIA Group Limited, in Hong Kong, where GMT legislation has been enacted. Any resulting GMT top-up tax is determined and settled at the Group level.

3. Interpretations and amendments to published standards

On 1 January 2025, the Branch adopted the new or amended IFRS and Interpretations to IFRS (“INT IFRS”) that are mandatory for application for the financial year. Changes to the Branch’s accounting policies have been made as required, in accordance with the transitional provisions in the respective IFRS and INT IFRS.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

3. Interpretations and amendments to published standards (continued)

The adoption of these new or amended IFRS and INT IFRS did not result in substantial changes to the accounting policies of the Branch and had no material effect on the amounts reported for the current or prior financial years.

Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
<i>Amendments to:</i>	<i>1 January 2026</i>
<i>- IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures (Amendments to the Classification and Measurement of Financial Instruments)</i>	
<i>Annual Improvements to IFRSs – Volume 11</i>	<i>1 January 2026</i>
<i>IFRS 18 Presentation and Disclosure in Financial Statements</i>	<i>1 January 2027</i>

The new or amended accounting Standards and Interpretations listed above are not mandatory for 31 December 2025 reporting periods and have not been early adopted by the Branch.

Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (2026) provide guidance on a number of areas such as the derecognition of financial liabilities settled through an electronic payment system, classification of financial assets with Environmental, Social and Governance (ESG) and similar features, contractually linked instruments and certain new disclosure requirements. The Branch has assessed the impacts on the Branch's financial statements and considers that there is no material impact to the Branch.

Annual Improvements to IFRS Accounting Standards – Volume 11 (2026), the Branch has assessed the impact of the amendments on its financial position and results of operations, and they are not expected to have a material impact on the financial position or results of operations of the Branch.

IFRS 18, Presentation and Disclosure in Financial Statements (2027) introduces new presentation requirements in the statement of comprehensive income, including among others, the classification of income and expense items by categories, specific totals and subtotals. It also sets out new requirements on management-defined performance measures, as well as aggregation and disaggregation of financial information. The standard is expected to change the presentation and disclosures of the Branch's financial statements but is not expected to impact the financial position or net results of the Branch.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2.2.3.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2.2, 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 policyholders 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.

4.4 Fair value measurement

(a) Fair value 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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

4.4 Fair value measurement (continued)

(a) Fair values of financial assets (continued)

The degree of judgement used in measuring the fair value of financial assets 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)(d) respectively.

4.5 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.

4.6 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 judgement 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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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

4.7 Critical judgement over the lease terms

As at 31 December 2025, the Branch's lease liabilities, which are measured with reference to an estimate of the lease term, amounted to B\$1,241,304 (2024: B\$1,716,861), of which B\$Nil (2024: B\$53,114) arose from extension options. An 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.

The extension options for certain leases of office space 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 circumstance occurs that is within the control of the lessee.

As at 31 December 2025, potential future (undiscounted) cash outflows of approximately B\$2,063,891 (2024: B\$2,063,891) 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
Others	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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

5. Profit after tax (continued)

B\$	Participating funds	Unit-linked	Other policyholders and shareholder	Total
Year ended 31 December 2025				
Insurance revenue	6,632,270	3,024,689	18,155,192	27,812,151
Insurance service expenses	(4,189,916)	(1,242,537)	(11,544,263)	(16,976,716)
Net expenses from reinsurance contracts held	(172,441)	(45,077)	(831,248)	(1,048,766)
Insurance service result	2,269,913	1,737,075	5,779,681	9,786,669
Investment return				
- Participating and unit-linked	44,685,429	17,154,017	-	61,839,446
- Others	-	-	18,617,476	18,617,476
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(39,496,965)	(16,440,572)	166,926	(55,770,611)
Net investment result	5,188,464	713,445	18,784,402	24,686,311
Fee income and other operating revenue/(expense)	16,877	678	(7,550)	10,005
Other expenses	(517,029)	(1,131,159)	(1,003,654)	(2,651,842)
Profit before tax	6,958,225	1,320,039	23,552,879	31,831,143
Tax expense	(2,223,362)	-	(1,913,555)	(4,136,917)
Profit after tax	4,734,863	1,320,039	21,639,324	27,694,226

B\$	Participating funds	Unit-linked	Other policyholders and shareholder	Total
Year ended 31 December 2024				
Insurance revenue	6,136,141	2,580,717	17,690,519	26,407,377
Insurance service expenses	(3,679,686)	(1,787,202)	(10,422,807)	(15,889,695)
Net expenses from reinsurance contracts held	(292,191)	(48,962)	(1,215,502)	(1,556,655)
Insurance service result	2,164,264	744,553	6,052,210	8,961,027
Investment return				
- Participating and unit-linked	24,218,854	6,133,312	-	30,352,166
- Others	-	-	13,234,004	13,234,004
Net finance (expenses)/income from insurance contracts and reinsurance contracts held	(30,475,305)	(5,310,073)	326,079	(35,459,299)
Net investment result	(6,256,451)	823,239	13,560,083	8,126,871
Fee income and other operating revenue/(expense)	32,415	1,011	(26,357)	7,069
Other expenses	(528,434)	(1,148,145)	(886,141)	(2,562,720)
(Loss)/profit before tax	(4,588,206)	420,658	18,699,795	14,532,247
Tax credit	9,830,802	-	3,445,904	13,276,706
Profit after tax	5,242,596	420,658	22,145,699	27,808,953

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

6. Insurance revenue

	2025 B\$	2024 B\$
Contracts not measured under the PAA		
Amounts related to changes in liabilities for remaining coverage		
Contractual service margin recognised for services provided	5,487,831	4,541,417
Change in risk adjustment for non-financial risk for risk expired	200,563	131,966
Expected incurred claims and other insurance service expenses	6,918,423	6,770,624
Others	1,550,885	1,514,239
Recovery of insurance acquisition cash flows	1,397,448	1,371,720
	15,555,150	14,329,966
Contracts measured under the PAA	12,257,001	12,077,411
Total insurance revenue	27,812,151	26,407,377
Represented by:		
Contracts under the modified retrospective approach	70,518	60,549
Contracts under fair value approach	8,645,282	8,383,655
Other contracts	19,096,351	17,963,173

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

7. Net investment result

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

	2025 B\$	2024 B\$
Investment return		
Interest revenue on financial assets	18,170,592	17,545,509
Other investment return	62,268,608	26,087,311
Net reversal of impairment/(impairment loss) on financial assets	17,722	(46,650)
Amounts recognised in income statement	80,456,922	43,586,170
Amounts recognised in other comprehensive income (Note 21(b)(i))	7,394,336	4,870,436
Total investment return	87,851,258	48,456,606
Net finance expenses from insurance contracts		
Changes in fair value of underlying items of contracts with direct participation features	(66,814,120)	(25,472,829)
Interest accreted	(165,656)	(1,053)
Effect of changes in interest rates, financial assumptions and others	2,274,164	(5,588,769)
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	(50,950)	18,896
Net foreign exchange gains/(losses)	9,319,206	(4,587,979)
Total net finance expenses from insurance contracts	(55,437,356)	(35,631,734)
Net finance income from reinsurance contracts held		
Interest accreted	255,532	330,291
Effect of changes in interest rates, financial assumptions and others	339,261	428,799
Effect of measuring changes in estimates at current rates and adjusting the CSM at the rates on initial recognition	(22,337)	14,162
Net foreign exchange (losses)/gains	(497)	424
Total net finance income from reinsurance contracts held	571,959	773,676
Net investment result	32,985,861	13,598,548
Net investment result is represented by:		
Amounts recognised in income statement	24,686,311	8,126,871
Amounts recognised in other comprehensive income	8,299,550	5,471,677
Total net investment result	32,985,861	13,598,548
Net finance expenses from insurance contracts are represented by:		
Amounts recognised in income statement	(55,954,790)	(35,748,314)
Amounts recognised in other comprehensive income (Note 21(b)(ii))	517,434	116,580
Total finance expenses from insurance contracts	(55,437,356)	(35,631,734)
Net finance income from reinsurance contracts held are represented by:		
Amounts recognised in income statement	184,179	289,015
Amounts recognised in other comprehensive income (Note 21 (b)(ii))	387,780	484,661
Total net finance income from reinsurance contracts held	571,959	773,676

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

7. Net investment result (continued)

	2025	2024
	B\$	B\$
Interest revenue on financial assets		
Financial assets measured at amortised cost	239,277	292,758
Financial assets measured at fair value through other comprehensive income	6,069,455	5,828,094
Financial assets designated at fair value through profit or loss	10,760,555	11,026,365
Financial assets measured mandatorily at fair value through profit or loss	1,101,305	398,292
Total interest revenue on financial assets	18,170,592	17,545,509
Other investment return		
Dividend income	1,970,049	1,967,839
Net gains of financial assets not at fair value through profit or loss		
Net realised gains of debt securities measured at fair value through other comprehensive income	2,222,278	530,655
At fair value through profit or loss		
Net gains/(losses) of financial assets designated at fair value through profit or loss	16,928,438	(435,287)
Net gains/(losses) of debt securities	760,507	(54,946)
Net gains of financial instruments mandatorily at fair value through profit or loss	54,779,604	18,631,783
Net gains/(losses) of debt securities	(8,688)	(4,262)
Net gains of equity shares		
Net fair value movement on derivatives		
Net gains in respect of financial instruments at fair value through profit or loss	72,459,861	18,137,288
Net foreign exchange (losses)/gains	(14,383,580)	5,451,529
Total other investment return	62,268,608	26,087,311

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

	2025	2024
	B\$	B\$
Foreign exchange (losses)/gains	(164,870)	398,126

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

7. Net investment result (continued)

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.

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:

	2025 B\$	2024 B\$
Balance at 1 January	(17,736)	(1,281,126)
Net change in fair value and others	1,229,168	1,462,149
Net amount reclassified to profit or loss	(633,424)	(198,759)
Balance at 31 December	578,008	(17,736)

8. Insurance service and other expenses

	2025 B\$	2024 B\$
Claims and benefits	7,633,628	7,685,004
Commission and other acquisition expenses incurred	10,442,656	10,266,360
Losses on onerous insurance contracts	33,249	43,652
Employee benefit expenses	1,946,595	1,862,872
Depreciation (Note 11)	563,732	610,807
Investment management expenses	2,271,026	1,199,439
Service fees	4,028,391	3,822,878
Interest expense on lease liabilities (Note 12(c))	54,283	59,845
Other operating expenses	834,769	1,246,232
	27,808,329	26,797,089
Amounts attributed to insurance acquisition cash flows	(12,356,122)	(12,274,049)
Amortisation of insurance acquisition cash flows	4,176,351	4,019,604
Reversal of impairment loss on assets for insurance acquisition cash flows	-	(90,229)
Insurance service and other expenses	19,628,558	18,452,415

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

8. Insurance service and other expenses (continued)

Insurance service and other expenses represented by:

	2025	2024
	B\$	B\$
Insurance service expenses		
- Contracts not measured under the PAA	8,126,899	8,182,455
- Contracts measured under the PAA	8,849,817	7,707,240
	16,976,716	15,889,695
Other incurred expenses directly attributable to reinsurance contracts held	(38,150)	(52,589)
Other expenses	2,689,992	2,615,309
Total	19,628,558	18,452,415

Depreciation consists of:

	2025	2024
	B\$	B\$
Computer hardware, fixtures and fittings and others	142,164	203,309
Right-of-use assets (Note 12(b))	421,568	407,498
	563,732	610,807

Employee benefit expenses consist of:

	2025	2024
	B\$	B\$
Wages and salaries	1,609,275	1,643,161
Employer's contribution to defined contribution plans including Tabung Amanah Pekerja	113,251	131,585
Other staff benefits	110,044	23,579
Share-based compensation	114,025	64,547
	1,946,595	1,862,872

Key management personnel compensation is as follows:

	2025	2024
	B\$	B\$
Salaries and other short-term employee benefits	219,801	306,854
Share-based compensation	27,378	44,561
	247,179	351,415

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

9. Income tax

Income tax expense/(credit)

	2025	2024
	B\$	B\$
Tax expense/(credit) attributable to results is made up of:		
- Current income tax	4,366,061	2,573,350
- Deferred income tax (Note 10)	960	1,281,488
- Withholding tax	28,115	34,178
	4,395,136	3,889,016
Over provision in prior financial years		
- Current income tax	(258,219)	(16,471,406)
- Deferred income tax	-	(694,316)
	4,136,917	(13,276,706)
Profit before tax	31,831,143	14,532,247
Tax calculated at a tax rate of 18.5% (2024: 18.5%)	5,888,761	2,688,466
Different basis of tax	(1,493,990)	1,184,872
Over provision in prior financial years		
- Current income tax	(258,219)	(16,471,406)
- Deferred income tax	-	(694,316)
Statutory stepped income exemption	(27,750)	(18,500)
Withholding tax	28,115	34,178
Total income tax expense/(credit)	4,136,917	(13,276,706)

Movements in current income tax recoverable/(liabilities)

	2025	2024
	B\$	B\$
Beginning of financial year	5,667,280	(8,230,256)
Income tax paid	1,685,818	33,658
Tax payable on profit		
- Current financial year	(4,366,061)	(2,573,350)
- Over provision of current income tax expense in prior financial years	258,219	16,471,406
- Withholding tax	(28,115)	(34,178)
At end of financial year	3,217,141	5,667,280

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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

	2025	2024
	B\$	B\$
Beginning of financial year	40,033	627,205
Charged to profit or loss (Note 9)	(960)	(1,281,488)
Under provision of deferred tax assets in prior financial years	-	694,316
End of financial year	39,073	40,033

The movement in deferred tax assets during the financial year is as follows:

Deferred tax assets

	Tax losses	Property and equipment	Total
	B\$	B\$	B\$
2025			
Beginning of financial year	-	40,033	40,033
Charged to profit or loss	-	(960)	(960)
Under recognition of deferred tax assets in prior financial years	-	-	-
End of financial year	-	39,073	39,073
	Tax losses	Property and equipment	Total
	B\$	B\$	B\$
2024			
Beginning of financial year	627,205	-	627,205
Charged to profit or loss	(1,321,521)	40,033	(1,281,488)
Under recognition of deferred tax assets in prior financial years	694,316	-	694,316
End of financial year	-	40,033	40,033

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 no unutilised tax losses (2024: nil) at the balance sheet date.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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\$
2025						
<i>Cost</i>						
Beginning of financial year		3,796,341	2,198,338	199,461	-	6,194,140
Additions		-	-	-	166,990	166,990
Modification of lease liability		(87,206)	-	-	-	(87,206)
End of financial year		3,709,135	2,198,338	199,461	166,990	6,273,924
<i>Accumulated depreciation</i>						
Beginning of financial year		2,043,978	1,429,424	180,431	-	3,653,833
Depreciation charge	8	421,568	130,662	11,502	-	563,732
End of financial year		2,465,546	1,560,086	191,933	-	4,217,565
Net book value		1,243,589	638,252	7,528	166,990	2,056,359
End of financial year						
2024						
<i>Cost</i>						
Beginning of financial year		3,588,736	2,171,752	191,857	-	5,952,345
Additions		-	26,586	7,604	-	34,190
Modification of lease liability		207,605	-	-	-	207,605
End of financial year		3,796,341	2,198,338	199,461	-	6,194,140
<i>Accumulated depreciation</i>						
Beginning of financial year		1,636,480	1,239,838	166,708	-	3,043,026
Depreciation charge	8	407,498	189,586	13,723	-	610,807
End of financial year		2,043,978	1,429,424	180,431	-	3,653,833
Net book value		1,752,363	768,914	19,030	-	2,540,307
End of financial year						

Right-of-use assets acquired under leasing arrangements are disclosed in Note 12.

During the current year, the Branch modified 1 existing lease contract for office building by revising the lease terms.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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

	2025 B\$	2024 B\$
Property held for own use - Leasehold buildings	1,243,589	1,752,363

During the financial year, there were no ROU assets written-off (2024: Nil).

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

	2025 B\$	2024 B\$
Property held for own use - Leasehold buildings	421,568	407,498

(c) Interest expense

	2025 B\$	2024 B\$
Interest expense on lease liabilities	54,283	59,845

(d) Total cash outflow for all leases in 2025 was B\$442,634 (2024: B\$437,071).

(e) Modifications of ROU assets during financial year 2025 amounted to (B\$87,206) (2024: B\$207,605).

(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 not been included in lease liabilities as the Branch is not reasonably certain to exercise the extension option. Majority of the extension options are exercisable by the Branch and not by the lessor.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 policyholders 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.

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 and Fitch	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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

13. Financial investments (continued)

Debt securities (continued)

Debt securities by type comprise the following:

B\$	Policyholder and shareholder			Total
	Participating funds	Other policyholder and shareholder		
	FVTPL	FVTPL	FVOCI	
31 December 2025				
Government bonds⁽¹⁾				
AAA	108,109,547	-	68,494,984	176,604,531
A	716,436	-	-	716,436
BBB	15,209,402	-	2,053,526	17,262,928
Subtotal	124,035,385	-	70,548,510	194,583,895
Government agency bonds⁽²⁾				
AAA	34,875,693	-	56,056,280	90,931,973
AA	670,841	-	-	670,841
Subtotal	35,546,534	-	56,056,280	91,602,814
Corporate bonds				
AAA	17,735,223	-	3,204,403	20,939,626
AA	1,463,850	-	6,343,350	7,807,200
A	67,528,899	8,319,303	37,978,875	113,827,077
BBB	61,358,864	-	35,555,288	96,914,152
Below investment grade	2,498,347	-	-	2,498,347
Subtotal	150,585,183	8,319,303	83,081,916	241,986,402
Total	310,167,102	8,319,303	209,686,706	528,173,111

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

13. Financial investments (continued)

Debt securities (continued)

Debt securities by type comprise the following (continued):

B\$	Policyholder and shareholder		Total
	Participating funds	Other policyholder and shareholder	
	FVTPL	FVOCI	
31 December 2024			
Government bonds⁽¹⁾			
AAA	103,051,282	71,188,128	174,239,410
AA	5,588,936	-	5,588,936
A	2,501,369	-	2,501,369
BBB	11,449,769	2,091,434	13,541,203
Subtotal	122,591,356	73,279,562	195,870,918
Government agency bonds⁽²⁾			
AAA	36,671,005	41,639,208	78,310,213
AA	682,886	-	682,886
Subtotal	37,353,891	41,639,208	78,993,099
Corporate bonds			
AAA	16,751,330	10,105,525	26,856,855
AA	1,975,117	-	1,975,117
A	67,850,777	25,810,014	93,660,791
BBB	40,319,035	32,451,288	72,770,323
Below investment grade	2,496,887	4,949,849	7,446,736
Subtotal	129,393,146	73,316,676	202,709,822
Total	289,338,393	188,235,446	477,573,839

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:

B\$	Policyholder and shareholder		Subtotal	Unit-linked FVTPL	Total
	Participating funds	Other policyholder and shareholder			
	FVTPL	FVTPL			
31 December 2025					
Equity shares	518,595	41,374,164	41,892,759	-	41,892,759
Interests in investment funds	148,366,982	5,479,935	153,846,917	100,588,229	254,435,146
Total	148,885,577	46,854,099	195,739,676	100,588,229	296,327,905

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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		Subtotal	Unit-linked	Total
	Participating funds	Other policyholder and shareholder		FVTPL	
	FVTPL	FVTPL		FVTPL	
31 December 2024					
Equity shares	2,030,183	33,184,499	35,214,682	-	35,214,682
Interests in investment funds	120,445,199	4,425,059	124,870,258	84,978,633	209,848,891
Total	122,475,382	37,609,558	160,084,940	84,978,633	245,063,573

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 and investment in unconsolidated structured entities as at the year end.

	Investment funds	
	2025 B\$	2024 B\$
Debt securities at fair value through other comprehensive income	27,262,330	20,924,810
Debt securities at fair value through profit or loss	15,162,166	20,002,980
Interests in investment funds at fair value through profit or loss	254,435,146	209,848,891
Total	296,859,642	250,776,681

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

13. Financial investments (continued)

Loans and deposits

Loans and deposits by type comprise the following:

	2025 B\$	2024 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 (2024: 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 as the investment risk is 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\$
2025					
Debt securities	19,298,756	67,252,311	157,237,480	284,384,564	528,173,111
Loans and deposits	9,000,000	-	-	-	9,000,000
	28,298,756	67,252,311	157,237,480	284,384,564	537,173,111
	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\$
2024					
Debt securities	19,459,663	80,580,785	94,156,746	283,376,645	477,573,839
Loans and deposits	9,000,000	-	-	-	9,000,000
	28,459,663	80,580,785	94,156,746	283,376,645	486,573,839

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

14. Derivative financial instruments

Description	Notional amount B\$	Fair values	
		Assets B\$	Liabilities B\$
2025			
Forward exchange contracts	12,116	-	11
Total		-	11
2024			
Forward exchange contracts	188,361	-	65
Total		-	65

The notional amounts indicate the volume of transactions outstanding at the balance sheet date and are not representing the amounts at risk.

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 designation), 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			Cost/ Amortised Cost	Total carrying value	Total fair value
		FVTPL - mandatory	FVTPL - designated	FVOCI			
31 December 2025							
Financial investments:	13	-	-	-	9,000,000	9,000,000	9,000,000
Loans and deposits		-	-	-	-	-	-
Debt securities		28,513,298	289,973,107	209,686,706	-	528,173,111	528,173,111
Equity shares		296,327,905	-	-	-	296,327,905	296,327,905
Other assets (exclude prepayments)	16	-	-	-	5,882,068	5,882,068	
Cash and cash equivalents	17	-	-	-	6,147,417	6,147,417	
Financial assets		324,841,203	289,973,107	209,686,706	21,029,485	845,530,501	

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

15. Fair value measurements (continued)

(i) Fair value of financial instruments (continued)

B\$	Note	Fair value through profit or loss	Cost/Amortised Cost	Total carrying value	Total fair value
31 December 2025					
Financial liabilities:					
Derivative financial instruments	14	11	-	11	11
Other liabilities (exclude lease liabilities)	20	-	8,087,331	8,087,331	
Financial liabilities		11	8,087,331	8,087,342	

B\$	Note	Fair value			Cost/Amortised Cost	Total carrying value	Total fair value
		FVTPL - mandatory	FVTPL - designated	FVOCI			
31 December 2024							
Financial investments:							
Loans and deposits	13	-	-	-	9,000,000	9,000,000	9,000,000
Debt securities		6,129,469	283,208,924	188,235,446	-	477,573,839	477,573,839
Equity shares		245,063,573	-	-	-	245,063,573	245,063,573
Other assets (exclude prepayments)							
	16	-	-	-	5,493,647	5,493,647	
Cash and cash equivalents	17	-	-	-	11,715,806	11,715,806	
Financial assets		251,193,042	283,208,924	188,235,446	26,209,453	748,846,865	

B\$	Note	Fair value through profit or loss	Cost/Amortised Cost	Total carrying value	Total fair value
31 December 2024					
Financial liabilities:					
Derivative financial instruments	14	65	-	65	65
Other liabilities (exclude lease liabilities)	20	-	8,098,149	8,098,149	
Financial liabilities		65	8,098,149	8,098,214	

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

Foreign currency exposure 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

15. Fair value measurements (continued)

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

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 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 2025 and 2024.

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

(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 investments 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 financial assets is not materially different to their fair value. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

15. Fair value measurements (continued)

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

Other liabilities

The fair values of other unquoted financial liabilities are estimated by discounting expected future cash flows using current market rates applicable to their yield, credit quality and maturity, except for those without 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 marketplace 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. The Branch considers that government debt securities issued by G7 countries (the United States, Canada, France, Germany, Italy, Japan, the United Kingdom) and traded in a dealer market to be Level 1, taking into consideration the sufficiency of trade frequency and volume.
- 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 2025 (2024: nil).

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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:

	<u>Level 1</u> B\$	<u>Level 2</u> B\$	<u>Level 3</u> B\$	<u>Total</u> B\$
31 December 2025				
Recurring fair value measurements				
Assets				
Financial assets at fair value through other comprehensive income				
- Debt securities	-	209,686,706	-	209,686,706
Financial assets at fair value through profit or loss				
- Debt securities				
- Participating funds	-	310,167,102	-	310,167,102
- Other policy and shareholder	-	8,319,303	-	8,319,303
- Equity shares				
- Participating funds	-	148,885,577	-	148,885,577
- Unit-linked	100,588,229	-	-	100,588,229
- Other policyholder and shareholder	45,557,613	1,296,486	-	46,854,099
Total assets on a recurring fair value measurement basis	146,145,842	678,355,174	-	824,501,016
Liabilities				
Derivative financial instruments	-	(11)	-	(11)
Total liabilities on a recurring fair value measurement basis	-	(11)	-	(11)

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

15. Fair value measurements (continued)

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

	<u>Level 1</u> B\$	<u>Level 2</u> B\$	<u>Level 3</u> B\$	<u>Total</u> B\$
31 December 2024				
Recurring fair value measurements				
Assets				
Financial assets at fair value through other comprehensive income				
- Debt securities	-	188,235,446	-	188,235,446
Financial assets at fair value through profit or loss				
- Debt securities				
- Participating funds	-	289,338,393	-	289,338,393
- Equity shares				
- Participating funds	-	122,475,382	-	122,475,382
- Unit-linked	84,978,633	-	-	84,978,633
- Other policyholder and shareholder	35,071,829	2,537,729	-	37,609,558
Total assets on a recurring fair value measurement basis	120,050,462	602,586,950	-	722,637,412
Liabilities				
Derivative financial instruments	-	(65)	-	(65)
Total liabilities on a recurring fair value measurement basis	-	(65)	-	(65)

The Branch's policy is to recognise transfers of assets and liabilities between Level 1 and Level 2 at their fair values as at the end of each reporting period, consistent with the date of the determination of fair value. Assets are transferred out of Level 1 when they are no longer transacted with sufficient frequency and volume in an active market. During the year ended 31 December 2025, assets are transferred from Level 2 to Level 1 when transaction volume and frequency are indicative of an active market. The Branch transferred B\$Nil (2024: B\$Nil) of assets from Level 2 to Level 1 during the year ended 31 December 2025.

The Branch's Level 2 financial instruments include debt securities, equity shares and derivative financial instruments. The fair values of Level 2 financial instruments are estimated using values obtained from private pricing services and brokers corroborated with internal review as necessary. When the quotes from private pricing services and brokers are not available, internal valuation techniques and inputs 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 Valuations Advisory Committee 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

	2025	2024
	B\$	B\$
Prepayments	30,474	32,220
Accrued investment income	4,931,845	4,960,828
Due from agents and brokers	4,598	1,270
Receivables from sales of investments	298,864	293,801
Other receivables	646,761	237,748
	5,912,542	5,525,867

All amounts other than prepayments are expected to be recovered within 12 months after the end of the financial year.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

17. Cash and cash equivalents

	2025 B\$	2024 B\$
Cash at bank and on hand	6,147,417	11,465,942
Short-term highly liquid investments	-	249,864
	<u>6,147,417</u>	<u>11,715,806</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2.3.1.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

18. Impairment of financial assets (continued)

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

(vii) Loss allowance

The following tables show reconciliations balances from the opening to the closing balance of the loss allowance by class of financial instrument.

B\$	12-month ECL	
	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost		
Balance at 1 January 2025	9,000,000	-
Balance at 31 December 2025	9,000,000	-

B\$	12-month ECL	
	Gross carrying amount	Loss allowance
Loans and deposits measured at amortised cost		
Balance at 1 January 2024	9,000,000	-
Balance at 31 December 2024	9,000,000	-

B\$	12-month ECL	
	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income		
Balance at 1 January 2025	187,696,087	276,403
Net remeasurement of loss allowance	-	(92,925)
New financial assets acquired	57,731,987	85,813
Financial assets derecognised other than write-offs	(41,519,963)	(33,423)
Effects of movements in exchange rates and other movements	26,337	(306)
Balance at 31 December 2025	203,934,448	235,562

B\$	12-month ECL	
	Gross carrying amount	Loss allowance
Debt securities measured at fair value through other comprehensive income		
Balance at 1 January 2024	172,049,245	277,903
Net remeasurement of loss allowance	-	(46,226)
New financial assets acquired	60,999,751	70,392
Financial assets derecognised other than write-offs	(45,474,709)	(25,752)
Effects of movements in exchange rates and other movements	121,800	86
Balance at 31 December 2024	187,696,087	276,403

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
B\$								
Other assets (exclude prepayments)								
Balance at 1 January 2025	5,518,338	24,720	26,447	26,418	-	-	5,544,785	51,138
Transfer to lifetime ECL not credit-impaired	(1,075)	(502)	1,075	502	-	-	-	-
Net increase in receivables	399,241	8,355	-	-	-	-	399,241	8,355
Effects of movements in exchange rates and other movements	(2,465)	-	-	-	-	-	(2,465)	-
Balance at 31 December 2025	5,914,039	32,573	27,522	26,920	-	-	5,941,561	59,493

	12-month ECL		Lifetime ECL not credit-impaired		Lifetime ECL credit-impaired		Total	
	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance	Gross carrying amount	Loss allowance
B\$								
Other assets (exclude prepayments)								
Balance at 1 January 2024	5,217,136	2,759	26,286	25,990	-	-	5,243,422	28,749
Transfer to lifetime ECL credit-impaired	-	-	(95)	(95)	95	95	-	-
Net remeasurement of loss allowance	-	21,961	-	523	-	-	-	22,484
Net increase in receivables	299,834	-	256	-	-	-	300,090	-
Write-offs	-	-	-	-	(95)	(95)	(95)	(95)
Effects of movements in exchange rates and other movements	1,368	-	-	-	-	-	1,368	-
Balance at 31 December 2024	5,518,338	24,720	26,447	26,418	-	-	5,544,785	51,138

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 statement of comprehensive income. The Branch presents a table that 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 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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2025			
		Liabilities for remaining coverage		Liabilities for	
		Excluding loss component	Loss component	incurred claims	Total
B\$	Note				
Opening balance		458,864,750	388,704	5,223,286	464,476,740
Insurance revenue	6	(15,555,150)	-	-	(15,555,150)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(44,252)	7,188,808	7,144,556
Amortisation of insurance acquisition cash flows		1,397,448	-	-	1,397,448
Losses and reversal of losses on onerous contracts		-	77,501	-	77,501
Adjustments to liabilities for incurred claims		-	-	(492,606)	(492,606)
Total insurance service expenses		1,397,448	33,249	6,696,202	8,126,899
Investment components		(35,603,349)	-	35,603,349	-
Insurance service result		(49,761,051)	33,249	42,299,551	(7,428,251)
Net finance expenses from insurance contracts	7	55,374,273	14,601	48,815	55,437,689
Total changes in the income statement and statement of comprehensive income		5,613,222	47,850	42,348,366	48,009,438
Cash flows					
Premiums received		64,205,476	-	-	64,205,476
Claims and other insurance service expenses paid, including investment components		-	-	(45,222,409)	(45,222,409)
Insurance acquisition cash flows paid		(8,860,036)	-	-	(8,860,036)
Other amounts received		-	-	3,214,118	3,214,118
Total cash flows		55,345,440	-	(42,008,291)	13,337,149
Adjusted for:					
Non-cash operating expenses		(116,503)	-	(290,744)	(407,247)
Total non-cash items		(116,503)	-	(290,744)	(407,247)
Closing balance		519,706,909	436,554	5,272,617	525,416,080

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2024			
		Liabilities for remaining coverage		Liabilities for	
		Excluding loss component	Loss component	incurred claims	Total
B\$	Note				
Opening balance		415,465,747	328,523	4,699,909	420,494,179
Insurance revenue	6	(14,329,966)	-	-	(14,329,966)
Insurance service expenses					
Incurred claims and other insurance service expenses		-	(39,499)	6,487,473	6,447,974
Amortisation of insurance acquisition cash flows		1,371,720	-	-	1,371,720
Losses and reversal of losses on onerous contracts		-	83,151	-	83,151
Adjustments to liabilities for incurred claims		-	-	369,839	369,839
Total insurance service expenses		1,371,720	43,652	6,857,312	8,272,684
Investment components		(31,249,036)	-	31,249,036	-
Insurance service result		(44,207,282)	43,652	38,106,348	(6,057,282)
Net finance expenses from insurance contracts	7	35,521,798	16,529	92,272	35,630,599
Total changes in the income statement and statement of comprehensive income		(8,685,484)	60,181	38,198,620	29,573,317
Cash flows					
Premiums received		61,334,866	-	-	61,334,866
Claims and other insurance service expenses paid, including investment components		-	-	(40,273,069)	(40,273,069)
Insurance acquisition cash flows paid		(9,116,167)	-	-	(9,116,167)
Other amounts received		-	-	2,922,070	2,922,070
Total cash flows		52,218,699	-	(37,350,999)	14,867,700
Adjusted for:					
Non-cash operating expenses		(134,212)	-	(324,244)	(458,456)
Total non-cash items		(134,212)	-	(324,244)	(458,456)
Closing balance		458,864,750	388,704	5,223,286	464,476,740

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2025				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		400,084,607	5,094,681	59,297,452	464,476,740	354,004	29,475,116	29,468,332	59,297,452
Insurance service result									
Changes that relate to current services		(1,369,618)	(155,697)	(5,487,831)	(7,013,146)	(43,206)	(2,491,545)	(2,953,080)	(5,487,831)
CSM recognised for services provided	6	-	-	(5,487,831)	(5,487,831)	(43,206)	(2,491,545)	(2,953,080)	(5,487,831)
Change in risk adjustment for non-financial risk		-	(155,697)	-	(155,697)	-	-	-	-
Experience adjustments		181,094	-	-	181,094	-	-	-	-
Others		(1,550,712)	-	-	(1,550,712)	-	-	-	-
Changes that relate to future services		(19,446,228)	829,976	18,693,753	77,501	223,506	4,626,301	13,843,946	18,693,753
Contracts initially recognised in the year		(7,135,745)	514,748	6,655,856	34,859	-	-	6,655,856	6,655,856
Changes in estimates that adjust the CSM		(12,352,250)	314,353	12,037,897	-	223,506	4,626,301	7,188,090	12,037,897
Changes in estimates that result in losses and reversal of losses on onerous contracts		41,767	875	-	42,642	-	-	-	-
Changes that relate to past services		(405,765)	(86,841)	-	(492,606)	-	-	-	-
Total insurance service result		(21,221,611)	587,438	13,205,922	(7,428,251)	180,300	2,134,756	10,890,866	13,205,922
Net finance expenses from insurance contracts	7	54,739,704	-	697,985	55,437,689	-	214,931	483,054	697,985
Total changes in the income statement and statement of comprehensive income		33,518,093	587,438	13,903,907	48,009,438	180,300	2,349,687	11,373,920	13,903,907
Cash flows		13,337,149	-	-	13,337,149	-	-	-	-
Non-cash operating expenses		(407,247)	-	-	(407,247)	-	-	-	-
Closing balance		446,532,602	5,682,119	73,201,359	525,416,080	534,304	31,824,803	40,842,252	73,201,359

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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)

		Year ended 31 December 2024				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		366,510,022	4,268,961	49,715,196	420,494,179	367,493	28,989,584	20,358,119	49,715,196
Insurance service result									
Changes that relate to current services		(1,916,090)	(52,765)	(4,541,417)	(6,510,272)	(33,029)	(2,380,062)	(2,128,326)	(4,541,417)
CSM recognised for services provided	6	-	-	(4,541,417)	(4,541,417)	(33,029)	(2,380,062)	(2,128,326)	(4,541,417)
Change in risk adjustment for non-financial risk		-	(52,765)	-	(52,765)	-	-	-	-
Experience adjustments		(403,995)	-	-	(403,995)	-	-	-	-
Others		(1,512,095)	-	-	(1,512,095)	-	-	-	-
Changes that relate to future services		(14,434,162)	941,139	13,576,174	83,151	19,540	2,596,367	10,960,267	13,576,174
Contracts initially recognised in the year		(8,500,099)	457,349	8,101,596	58,846	-	-	8,101,596	8,101,596
Changes in estimates that adjust the CSM		(5,959,307)	484,729	5,474,578	-	19,540	2,596,367	2,858,671	5,474,578
Changes in estimates that result in losses and reversal of losses on onerous contracts		25,244	(939)	-	24,305	-	-	-	-
Changes that relate to past services		432,493	(62,654)	-	369,839	-	-	-	-
Total insurance service result		(15,917,759)	825,720	9,034,757	(6,057,282)	(13,489)	216,305	8,831,941	9,034,757
Net finance expenses from insurance contracts	7	35,083,100	-	547,499	35,630,599	-	269,227	278,272	547,499
Total changes in the income statement and statement of comprehensive income		19,165,341	825,720	9,582,256	29,573,317	(13,489)	485,532	9,110,213	9,582,256
Cash flows		14,867,700	-	-	14,867,700	-	-	-	-
Non-cash operating expenses		(458,456)	-	-	(458,456)	-	-	-	-
Closing balance		400,084,607	5,094,681	59,297,452	464,476,740	354,004	29,475,116	29,468,332	59,297,452

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2025			
		Asset for remaining coverage		Asset for incurred claims	Total
B\$	Note	Excluding loss-recovery component	Loss recovery component		
Opening balance		8,433,058	191,427	1,268,378	9,892,863
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)		(1,990,575)	5,158	910,187	(1,075,230)
Net expenses from reinsurance contracts held		(1,990,575)	5,158	910,187	(1,075,230)
Net finance income from reinsurance contracts held	7	564,982	7,613	(642)	571,953
Total changes in the income statement and statement of comprehensive income		(1,425,593)	12,771	909,545	(503,277)
Cash flows					
Premiums paid		1,608,366	-	-	1,608,366
Amounts received		-	-	(594,725)	(594,725)
Other amounts paid		-	-	34,308	34,308
Total cash flows		1,608,366	-	(560,417)	1,047,949
Adjusted for:					
Non-cash operating expenses		-	-	3,133	3,133
Total non-cash items		-	-	3,133	3,133
Closing balance		8,615,831	204,198	1,620,639	10,440,668

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2024			
		Asset for remaining coverage		Asset for incurred claims	Total
		Excluding loss-recovery component	Loss recovery component		
B\$	Note				
Opening balance		8,722,812	171,404	1,142,781	10,036,997
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)		(1,916,758)	12,678	441,811	(1,462,269)
Net expenses from reinsurance contracts held		(1,916,758)	12,678	441,811	(1,462,269)
Net finance income from reinsurance contracts held	7	765,817	7,345	444	773,606
Total changes in the income statement and statement of comprehensive income		(1,150,941)	20,023	442,255	(688,663)
Cash flows					
Premiums paid		861,187	-	-	861,187
Amounts received		-	-	(379,931)	(379,931)
Other amounts paid		-	-	58,639	58,639
Total cash flows		861,187	-	(321,292)	539,895
Adjusted for:					
Non-cash operating expenses		-	-	4,634	4,634
Total non-cash items		-	-	4,634	4,634
Closing balance		8,433,058	191,427	1,268,378	9,892,863

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2025				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		5,929,033	1,042,199	2,921,631	9,892,863	-	6,492,949	(3,571,318)	2,921,631
Insurance service result									
Changes that relate to current services		(612,684)	14,867	(359,094)	(956,911)	-	(657,314)	298,220	(359,094)
CSM recognised for services provided	6	-	-	(359,094)	(359,094)	-	(657,314)	298,220	(359,094)
Change in risk adjustment for non-financial risk		-	14,867	-	14,867	-	-	-	-
Experience adjustments		(612,684)	-	-	(612,684)	-	-	-	-
Changes that relate to future services		99,617	172,452	(250,620)	21,449	-	297,053	(547,673)	(250,620)
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	9,851	9,851	-	-	9,851	9,851
Contracts initially recognised in the year		524,663	110,905	(635,568)	-	-	-	(635,568)	(635,568)
Changes in estimates that adjust the CSM		(433,507)	58,410	375,097	-	-	297,053	78,044	375,097
Changes in estimates that result in losses and reversal of losses on onerous contracts		8,461	3,137	-	11,598	-	-	-	-
Changes that relate to past services		(102,464)	(37,304)	-	(139,768)	-	-	-	-
Total insurance service result		(615,531)	150,015	(609,714)	(1,075,230)	-	(360,261)	(249,453)	(609,714)
Net finance income from insurance contracts	7	499,590	-	72,363	571,953	-	212,561	(140,198)	72,363
Total changes in the income statement and statement of comprehensive income		(115,941)	150,015	(537,351)	(503,277)	-	(147,700)	(389,651)	(537,351)
Cash flows		1,047,949	-	-	1,047,949	-	-	-	-
Non-cash operating expenses		3,133	-	-	3,133	-	-	-	-
Closing balance		6,864,174	1,192,214	2,384,280	10,440,668	-	6,345,249	(3,960,969)	2,384,280

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2024				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		6,346,550	847,737	2,842,710	10,036,997	-	6,298,589	(3,455,879)	2,842,710
Insurance service result									
Changes that relate to current services		(795,306)	38,966	(375,253)	(1,131,593)	-	(635,830)	260,577	(375,253)
CSM recognised for services provided	6	-	-	(375,253)	(375,253)	-	(635,830)	260,577	(375,253)
Change in risk adjustment for non-financial risk		-	38,966	-	38,966	-	-	-	-
Experience adjustments		(795,306)	-	-	(795,306)	-	-	-	-
Changes that relate to future services		(533,917)	181,457	381,333	28,873	-	620,163	(238,830)	381,333
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM		-	-	22,537	22,537	-	-	22,537	22,537
Contracts initially recognised in the year		575,979	114,954	(690,933)	-	-	-	(690,933)	(690,933)
Changes in estimates that adjust the CSM		(1,115,641)	65,912	1,049,729	-	-	620,163	429,566	1,049,729
Changes in estimates that result in losses and reversal of losses on onerous contracts		5,745	591	-	6,336	-	-	-	-
Changes that relate to past services		(333,588)	(25,961)	-	(359,549)	-	-	-	-
Total insurance service result		(1,662,811)	194,462	6,080	(1,462,269)	-	(15,667)	21,747	6,080
Net finance income from insurance contracts	7	700,765	-	72,841	773,606	-	210,027	(137,186)	72,841
Total changes in the income statement and statement of comprehensive income		(962,046)	194,462	78,921	(688,663)	-	194,360	(115,439)	78,921
Cash flows		539,895	-	-	539,895	-	-	-	-
Non-cash operating expenses		4,634	-	-	4,634	-	-	-	-
Closing balance		5,929,033	1,042,199	2,921,631	9,892,863	-	6,492,949	(3,571,318)	2,921,631

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2025				
		Liabilities for remaining coverage		Liabilities for incurred claims		
				Estimate of present		
B\$	Note	Excluding loss component	Loss component	value of future cash flows	Risk adjustment for non-financial risk	Total
Opening balance		4,145,630	-	1,735,600	39,760	5,920,990
Insurance revenue	6	(12,257,001)	-	-	-	(12,257,001)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	-	5,024,038	24,290	5,048,328
Amortisation of insurance acquisition cash flows		2,778,903	-	-	-	2,778,903
Adjustments to liabilities for incurred claims		-	-	1,042,439	(19,853)	1,022,586
Total insurance service expenses		2,778,903	-	6,066,477	4,437	8,849,817
Investment components		12,965	-	(12,965)	-	-
Insurance service result		(9,465,133)	-	6,053,512	4,437	(3,407,184)
Net finance income from insurance contracts	7	(211)	-	(122)	-	(333)
Total changes in the income statement and statement of comprehensive income		(9,465,344)	-	6,053,390	4,437	(3,407,517)
Cash flows						
Premiums received		12,585,473	-	-	-	12,585,473
Claims and other insurance service expenses paid, including investment components		-	-	(5,648,136)	-	(5,648,136)
Insurance acquisition cash flows paid		(2,713,715)	-	-	-	(2,713,715)
Other amounts received		-	-	122,534	-	122,534
Total cash flows		9,871,758	-	(5,525,602)	-	4,346,156
Adjusted for:						
Non-cash operating expenses		(169,940)	-	(39,949)	-	(209,889)
Total non-cash items		(169,940)	-	(39,949)	-	(209,889)
Closing balance		4,382,104	-	2,223,439	44,197	6,649,740

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2024				
		Liabilities for remaining coverage		Liabilities for incurred claims		
				Estimate of present		
		Excluding loss		value of future cash	Risk adjustment for	Total
B\$	Note	component	Loss component	flows	non-financial risk	
Opening balance		3,648,744	-	1,631,692	42,174	5,322,610
Insurance revenue	6	(12,077,411)	-	-	-	(12,077,411)
Insurance service expenses						
Incurred claims and other insurance service expenses		-	-	4,577,747	24,525	4,602,272
Amortisation of insurance acquisition cash flows		2,647,884	-	-	-	2,647,884
Adjustments to liabilities for incurred claims		-	-	484,023	(26,939)	457,084
Total insurance service expenses		2,647,884	-	5,061,770	(2,414)	7,707,240
Investment components		13,858	-	(13,858)	-	-
Insurance service result		(9,415,669)	-	5,047,912	(2,414)	(4,370,171)
Net finance expenses from insurance contracts	7	957	-	178	-	1,135
Total changes in the income statement and statement of comprehensive income		(9,414,712)	-	5,048,090	(2,414)	(4,369,036)
Cash flows						
Premiums received		12,530,215	-	-	-	12,530,215
Claims and other insurance service expenses paid, including investment components		-	-	(5,026,235)	-	(5,026,235)
Insurance acquisition cash flows paid		(2,473,533)	-	-	-	(2,473,533)
Other amounts received		-	-	114,208	-	114,208
Total cash flows		10,056,682	-	(4,912,027)	-	5,144,655
Adjusted for:						
Non-cash operating expenses		(145,084)	-	(32,155)	-	(177,239)
Total non-cash items		(145,084)	-	(32,155)	-	(177,239)
Closing balance		4,145,630	-	1,735,600	39,760	5,920,990

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2025				
		Asset for remaining coverage		Asset for incurred claims		
		Excluding loss recovery component	Loss recovery component	Estimate of present value of future cash flows	Risk adjustment for non- financial risk	Total
B\$	Note					
Opening balance		(23,042)	-	110,431	86	87,475
Changes in the income statement and statement of comprehensive income						
Net income from reinsurance contracts held (excluding effect of changes in non-performance risk of reinsurers)		(257,090)	-	283,532	22	26,464
Net finance income from reinsurance contracts held	7	-	-	6	-	6
Total changes in the income statement and statement of comprehensive income		(257,090)	-	283,538	22	26,470
Cash flows						
Premiums paid		95,618	-	-	-	95,618
Amounts received		-	-	-	-	-
Other amounts paid		-	-	161	-	161
Total cash flows		95,618	-	161	-	95,779
Adjusted for:						
Non-cash operating expenses		-	-	15	-	15
Total non-cash items		-	-	15	-	15
Closing balance		(184,514)	-	394,145	108	209,739

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2024				
		Asset for remaining coverage		Asset for incurred claims		
		Excluding loss recovery component	Loss recovery component	Estimate of present value of future cash flows	Risk adjustment for non- financial risk	Total
B\$	Note	61,022	-	(59)	-	60,963
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)		(204,798)	-	110,326	86	(94,386)
Net finance income from reinsurance contracts held		73	-	(3)	-	70
Total changes in the income statement and statement of comprehensive income		(204,725)	-	110,323	86	(94,316)
Cash flows						
Premiums paid		120,661	-	-	-	120,661
Amounts received		-	-	-	-	-
Other amounts paid		-	-	157	-	157
Total cash flows		120,661	-	157	-	120,818
Adjusted for:						
Non-cash operating expenses		-	-	10	-	10
Total non-cash items		-	-	10	-	10
Closing balance		(23,042)	-	110,431	86	87,475

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

19. Insurance contracts and reinsurance contracts held (continued)

(ii) Effect of contracts initially recognised in the year

The following tables summarise the effect on the measurement components of insurance contracts and reinsurance contracts held arising from the initial recognition of contracts not measured under the premium allocation approach that were initially recognised in the year.

Insurance contracts

B\$	Profitable contracts issued	Onerous contracts issued	Total
Year ended 31 December 2025			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	7,971,725	40,302	8,012,027
Claims payable and other expenses	38,893,547	179,357	39,072,904
Total estimates of present value of future cash outflows	46,865,272	219,659	47,084,931
Estimates of present value of future cash inflows	(54,029,471)	(191,205)	(54,220,676)
Risk adjustment for non-financial risk	508,343	6,405	514,748
Contractual service margin	6,655,856	-	6,655,856
Losses recognised on initial recognition	-	34,859	34,859
Year ended 31 December 2024			
Estimates of present value of future cash outflows			
Insurance acquisition cash flows	7,916,425	36,481	7,952,906
Claims payable and other expenses	35,227,960	201,560	35,429,520
Total estimates of present value of future cash outflows	43,144,385	238,041	43,382,426
Estimates of present value of future cash inflows	(51,696,766)	(185,759)	(51,882,525)
Risk adjustment for non-financial risk	450,785	6,564	457,349
Contractual service margin	8,101,596	-	8,101,596
Losses recognised on initial recognition	-	58,846	58,846

Reinsurance contracts held

B\$	Year ended 31 December 2025	Year ended 31 December 2024
	Contracts originated	Contracts originated
Estimates of present value of future cash inflows	(4,270,010)	(4,497,367)
Estimates of present value of future cash outflows	3,745,347	3,921,388
Risk adjustment for non-financial risk	(110,905)	(114,954)
Income recognised on initial recognition	9,851	22,537
Contractual service margin	(625,717)	(668,396)

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

19. Insurance contracts and reinsurance contracts held (continued)

(iii) Analysis of assets for insurance acquisition cash flows

B\$	Year ended 31 December 2025	Year ended 31 December 2024
	Other policyholder and shareholder	Other policyholder and shareholder
Opening balance	3,212,569	2,645,509
Assets recognised for insurance acquisition cash flows paid during the period	678,029	596,314
Allocation to groups of insurance contracts	(143,770)	(119,483)
Impairment losses	-	90,229
Closing balance	3,746,828	3,212,569

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	After
			years through ten years	ten years
31 December 2025				
Assets for insurance acquisition cash flows	3,746,828	935,546	701,752	2,109,530
31 December 2024				
Assets for insurance acquisition cash flows	3,212,569	796,150	595,981	1,820,438

(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	After
			years through ten years	ten years
31 December 2025				
Insurance contracts	73,201,359	26,713,915	17,974,439	28,513,005
Reinsurance contracts held	(2,384,280)	(1,418,753)	(807,651)	(157,876)
31 December 2024				
Insurance contracts	59,297,452	21,616,735	14,600,798	23,079,919
Reinsurance contracts held	(2,921,631)	(1,539,606)	(948,307)	(433,718)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 do not make 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 2025										
Spot rates	1 year		5 years		10 years		15 years		20 years	
	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	3.43%	0.50%	3.65%	0.63%	4.15%	0.81%	4.62%	0.84%	4.93%	0.80%
SGD	1.37%	0.76%	1.89%	0.90%	2.18%	0.64%	2.25%	0.61%	2.21%	0.67%

As at 31 December 2024										
Spot rates	1 year		5 years		10 years		15 years		20 years	
	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	4.12%	0.60%	4.32%	0.61%	4.51%	0.84%	4.74%	0.87%	4.88%	0.85%
SGD	2.80%	0.65%	2.81%	0.97%	2.90%	0.52%	2.93%	0.43%	2.84%	0.47%

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

20. Other liabilities

	2025	2024
	B\$	B\$
Trade and other payables	7,300,984	7,509,906
Investment payables	-	182,044
Payables to other related companies	786,347	406,199
Lease liabilities	1,241,304	1,716,861
	9,328,635	9,815,010

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

	2025	2024
	B\$	B\$
<i>(a) Composition:</i>		
Fair value reserve	5,987,819	815,761
Insurance finance reserve	578,127	(327,087)
Other reserves	63,235	65,223
	6,629,181	553,897

(b) Movements

(i) Fair value reserve

Beginning of financial year	815,761	(3,524,020)
Financial assets at fair value through other comprehensive income		
- Fair value gains	7,394,336	4,870,436
- Reclassification to profit or loss on disposal	(2,222,278)	(530,655)
	5,172,058	4,339,781
End of financial year	5,987,819	815,761

The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at fair value through other comprehensive income held at the end of the reporting period plus the related loss allowance recognised in profit or loss until the assets are derecognised.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

21. Reserves (continued)

(b) Movements (continued)

	2025 B\$	2024 B\$
(ii) Insurance finance reserve		
Beginning of financial year	(327,087)	(928,328)
Changes in insurance finance reserve	517,434	116,580
Changes in reinsurance finance reserve	387,780	484,661
End of financial year	<u>578,127</u>	<u>(327,087)</u>
(iii) Other reserves		
Beginning of financial year	65,223	84,339
Movement for the financial year	(1,988)	(19,116)
End of financial year	<u>63,235</u>	<u>65,223</u>

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 manages them.

The Branch adopts the overall policies, standards and procedures set up by the 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.

(A) Insurance risk

Insurance risk relates to 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.

The Branch manages insurance risk concentration by diversification, reinsurance and establishing retention limits. For the years ended 31 December 2025 and 31 December 2024, there was no significant insurance concentration risk.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(A) Insurance risk (continued)

(a) Persistency (Lapse) risk

Persistency (Lapse) risk relates to lapses that differ from that assumed in the pricing or reserving assumptions. Persistency risk is assessed as part of the product development process and monitored through regular experience studies.

Ensuring customers buy products that suitably 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.

(b) Expense risk

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

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 it operates.

(c) Morbidity and mortality risk

Morbidity and mortality risk is the risk that the incidence and/or amounts of medical, critical illness, disability or 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 Actuarial department 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, such as medical technology, health and wellness and climate change, which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

The Branch limits its exposure to new risks and large claims on a single insured life by applying retention limits and by insurance benefit type to the amount of insurance coverage per insured. The exposure in excess of these limits is ceded to reinsurers.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(A) Insurance risk (continued)

(c) Morbidity and mortality (continued)

Concentration of risk

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.

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.

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

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(A) Insurance risk (continued)

(d) Sensitivity analysis on insurance risk (continued)

Sensitivity analysis before risk mitigation by reinsurance

B\$	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2025		
10% increase in attributable expenses	(186,443)	(225,534)
10% decrease in attributable expenses	189,113	228,211
10% increase in mortality/morbidity rates	(684,066)	(1,011,996)
10% decrease in mortality/morbidity rates	641,221	974,308
10% increase in lapse/discontinuance rates	(113,294)	(160,555)
10% decrease in lapse/discontinuance rates	63,775	102,003
31 December 2024		
10% increase in attributable expenses	(198,706)	(207,503)
10% decrease in attributable expenses	198,774	207,567
10% increase in mortality/morbidity rates	(646,604)	(710,456)
10% decrease in mortality/morbidity rates	608,167	677,242
10% increase in lapse/discontinuance rates	(49,924)	9,361
10% decrease in lapse/discontinuance rates	58,634	(31,297)

Sensitivity analysis after risk mitigation by reinsurance

B\$	Impact on profit before tax	Impact on total equity (before the effects of taxation)
31 December 2025		
10% increase in attributable expenses	(183,747)	(222,827)
10% decrease in attributable expenses	184,309	223,388
10% increase in mortality/morbidity rates	(518,969)	(475,045)
10% decrease in mortality/morbidity rates	443,824	384,153
10% increase in lapse/discontinuance rates	(158,438)	(222,984)
10% decrease in lapse/discontinuance rates	92,684	146,700
31 December 2024		
10% increase in attributable expenses	(197,346)	(206,149)
10% decrease in attributable expenses	194,055	202,883
10% increase in mortality/morbidity rates	(500,342)	(462,701)
10% decrease in mortality/morbidity rates	450,530	408,336
10% increase in lapse/discontinuance rates	(91,441)	(27,127)
10% decrease in lapse/discontinuance rates	92,449	(10,706)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk

Investment objectives, policies and processes

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 borne by our customers, and the investment return gains or losses are largely offset by the changes in fair value of underlying items. 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 Policyholders 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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.

Climate change, and the transition to net zero, create risks for the financial system. The Branch recognises the potential investment losses due to climate risk in the long term and, as a result, it mandates the consideration of various Environmental, Social and Governance (ESG) factors, including climate change, in the bottom-up investment process applicable to its general account assets. The Branch has developed internal ESG scoring methodologies to assess relevant ESG factors in potential and actual investee companies in relation to our directly managed general account assets and to assess external asset managers on their approach to both ESG engagement with investee companies and the assessment of ESG factors for investment decisions. The Branch will continue to enhance its climate scenario analysis in assessing the impacts of climate change on its investment assets.

(a) Liquidity risk

The Branch identifies liquidity risk as occurring in two ways:

- **Funding Liquidity Risk**

This is the risk that the Branch does not have sufficient cash or collateral to (i) make payments to counterparties as they fall due; or (ii) meet our policyholder obligations via products that permit surrender, withdrawal or other forms of early termination for a cash value; and we can only do so by liquidating assets at significant losses.

- **Investment Liquidity Risk**

This is the risk that an asset cannot be sold in the market quickly, or, if its sale is executed very rapidly, that this can only be achieved at a heavily discounted price. It is primarily a function of the market for an asset, and not the circumstances of the Branch. Market liquidity risk may result in the Branch facing a funding liquidity crisis, or suffer losses and deplete its capital.

The Branch takes a total active liquidity view by managing exposures and their funding across all payment obligations and currencies. We manage liquidity risk by matching our near-medium term expected cash flows from our liabilities and assets, and through insurance product design.

A portion of the Branch's assets are kept in the form of marketable securities or liquid assets, to facilitate the conversion to cash quickly should the need arise.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(a) Liquidity risk (continued)

The Branch also manages liquidity risk in accordance with the Branch's liquidity framework. This framework contains the standards, procedures, and tools used by the Branch to monitor and manage liquidity risk on a forward-looking basis in base and stressed conditions across multiple time horizons from daily to monthly time steps for a 12-month period, as well as projections in line with strategic planning. The forward-looking management of liquidity over short to longer-term horizons allows for the early detection of risks and enables management to action upon the pre-defined liquidity contingency plans. The framework is comprised of four pillars:

- Daily Cash Forecasting and Liquidity Adequacy Ratio;
- Structural Liquidity Adequacy Ratio;
- Liquidity Projection over the Strategic Planning Period; and
- Liquidity Management and Contingency Plans.

The Branch supports its liquidity internally by maintaining appropriate pools of unencumbered high-quality liquid investment assets. The Branch mitigates liquidity risks by also seeking stable sources of liquidity that are less likely to be adversely affected in the event of stressed market conditions.

(i) Contractual maturities of financial liabilities

	Due in 1 year or less B\$	Due after 1 year through 5 years B\$	Due after 5 years through 10 years B\$	Total B\$
2025				
Financial liabilities				
Derivative financial instruments	11	-	-	11
Other liabilities (exclude lease liabilities)	8,087,331	-	-	8,087,331
Undiscounted contractual lease liabilities	418,587	895,099	-	1,313,686
	<u>8,505,929</u>	<u>895,099</u>	<u>-</u>	<u>9,401,028</u>
2024				
Financial liabilities				
Derivative financial instruments	65	-	-	65
Other liabilities (exclude lease liabilities)	8,098,149	-	-	8,098,149
Undiscounted contractual lease liabilities	442,634	1,391,973	17,200	1,851,807
	<u>8,540,848</u>	<u>1,391,973</u>	<u>17,200</u>	<u>9,950,021</u>

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(a) Liquidity risk (continued)

(ii) Maturity analysis of insurance contract liabilities

	<u>Due in</u> <u>1 year or less</u> B\$	<u>Due after</u> <u>1 year</u> <u>through</u> <u>2 years</u> B\$	<u>Due after</u> <u>2 years</u> <u>through</u> <u>3 years</u> B\$	<u>Due after</u> <u>3 years</u> <u>through</u> <u>4 years</u> B\$	<u>Due after</u> <u>4 years</u> <u>through</u> <u>5 years</u> B\$	<u>Due after</u> <u>after 5 years</u> B\$	<u>Total</u> B\$
2025							
Liabilities							
Insurance contracts	(8,676,819)	(12,692,083)	(8,881,498)	(5,398,882)	141,919	488,645,508	453,138,145
2024							
Liabilities							
Insurance contracts	(10,586,043)	(14,131,596)	(10,384,043)	(6,646,619)	(3,324,594)	451,038,736	405,965,841

(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 Branch's FRC approves all policies and metrics associated with the evaluation of market risk exposures, and the Head Office's Board approves the ALM and Corporate Investment Policy and Fund Mandates for the Branch, which collectively facilitates the Head Office's Investment Committee and Investment Department's management of the relevant market or investment risks.

Market risks are controlled to some extent via the Strategic Asset Allocation (SAA) targets and Tactical Asset Allocation (TAA) proposed by the Head Office's Investment Committee and approved by the Head Office's Board. The SAA targets and TAA ranges define the long-term investment objectives of the Branch. Short to medium term trading opportunities may also be taken into consideration in the implementation of the ALM and Corporate Investment Policy as and when pronounced market trends and significant deviations from fair value arise. Deviations from SAA targets shall be within the TAA ranges. The SAA is reviewed on an annual basis. The SAA seeks to optimise risk-adjusted returns, taking into consideration the liability risk characteristics, customers' reasonable expectations while meeting our risk tolerance on regulatory capital.

Equity risk

Equity risk arises from changes in the market value of equity shares and equity funds. Investments in equity assets on a long-term basis are expected to align with policyholders' expectations, provide diversification benefits and enhance returns.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(b) Market risk (continued)

Equity risk (continued)

The extent of exposure to equities at any time is at the discretion of the Investment Department operating within the terms of the AIA Group's and the Branch's SAA. 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.

Equity price risk is managed through SAA and TAA. Equity investments are subject to benchmarks and controls relating to maximum concentration and tracking errors. Equity limits are also applied to contain concentration risk of individual stocks and sectors, liquidity as well as equity volatility. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

Interest rate risk

The Branch's exposure to interest rate risk predominantly arises from any difference between the duration 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.

The Branch actively manages interest rate risk by extending asset duration, managing liability duration, repricing products and implementing reinsurance solutions where possible. For products with discretionary benefits, additional modelling of interest rate risk is performed to guide the determination of appropriate management actions. Management also takes into consideration the interest rate risk on the local solvency basis, and the asymmetrical impact of interest rate movements when evaluating products with options and guarantees.

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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(b) Market risk (continued)

Interest rate risk (continued)

The table below summarises the nature of the interest rate risk associated with financial assets. In preparing this analysis, fixed rate interest bearing instruments that mature or reprice within 12 months of the reporting date have been disclosed as variable rate instruments.

	Variable <u>Rates</u> B\$	Fixed <u>rates</u> B\$	Non-interest <u>bearing</u> B\$	<u>Total</u> B\$
At 31 December 2025				
Financial Assets				
Cash and cash equivalents	6,135,711	-	11,706	6,147,417
Debt securities	79,055,326	449,117,785	-	528,173,111
Equity shares	-	-	296,327,905	296,327,905
Loans and deposits	-	9,000,000	-	9,000,000
Other assets (exclude prepayments)	-	-	5,882,068	5,882,068
Total financial assets	85,191,037	458,117,785	302,221,679	845,530,501
Derivative financial instruments	-	-	11	11
Other liabilities (exclude lease liabilities)	-	-	8,087,331	8,087,331
Total financial liabilities	-	-	8,087,342	8,087,342
At 31 December 2024				
Financial Assets				
Cash and cash equivalents	11,712,460	-	3,346	11,715,806
Debt securities	67,238,845	410,334,994	-	477,573,839
Equity shares	-	-	245,063,573	245,063,573
Loans and deposits	-	9,000,000	-	9,000,000
Other assets (exclude prepayments)	-	-	5,493,647	5,493,647
Total financial assets	78,951,305	419,334,994	250,560,566	748,846,865
Derivative financial instruments	-	-	65	65
Other liabilities (exclude lease liabilities)	-	-	8,098,149	8,098,149
Total financial liabilities	-	-	8,098,214	8,098,214

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(b) Market risk (continued)

Foreign exchange rate risk

The Branch is exposed to foreign exchange rate risk to the extent that it holds un-hedged positions where the assets backing the liabilities are in different currencies to the liabilities. However, currency mismatch is acceptable for diversification and yield enhancement purposes.

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:

	<u>BND/SGD</u> B\$	<u>USD</u> B\$	<u>AUD</u> B\$	<u>Others</u> B\$	<u>Total</u> B\$
At 31 December 2025					
Insurance contracts and reinsurance contracts held					
Assets	10,644,630	9,877	-	-	10,654,507
Liabilities	(270,289,479)	(168,717,170)	(9,460,972)	-	(448,467,621)
Financial instruments					
Assets	451,392,166	244,171,953	21,954,252	625	717,518,996
Liabilities	(6,141,038)	(319,766)	(390,820)	-	(6,851,624)
Currency exposure		<u>75,144,894</u>	<u>12,102,460</u>	<u>625</u>	
	<u>BND/SGD</u> B\$	<u>USD</u> B\$	<u>AUD</u> B\$	<u>Others</u> B\$	<u>Total</u> B\$
At 31 December 2024					
Insurance contracts and reinsurance contracts held					
Assets	9,970,912	9,028	-	-	9,979,940
Liabilities	(217,991,580)	(174,676,447)	(10,319,651)	-	(402,987,678)
Financial instruments					
Assets	417,562,590	201,980,365	20,789,322	453	640,332,730
Liabilities	(9,210,927)	(263,522)	(382,546)	-	(9,856,995)
Currency exposure		<u>27,049,424</u>	<u>10,087,125</u>	<u>453</u>	

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and 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.

	<u>USD</u> B\$	<u>AUD</u> B\$	<u>Others</u> B\$
31 December 2025			
5% strengthening of original currency			
Impact on profit before tax			
Insurance contracts and reinsurance contracts held	(12,216,907)	(1,075,695)	-
Financial instruments	12,192,609	1,078,172	31
Impact on total equity			
Insurance contracts and reinsurance contracts held	(12,216,907)	(1,075,695)	-
Financial instruments	12,192,609	1,078,172	31
Impact on CSM			
Insurance contracts and reinsurance contracts held	(784,179)	(120,710)	-
<hr/>			
	<u>USD</u> B\$	<u>AUD</u> B\$	<u>Others</u> B\$
31 December 2024			
5% strengthening of original currency			
Impact on profit before tax			
Insurance contracts and reinsurance contracts held	(10,202,423)	(1,017,897)	-
Financial instruments	10,085,842	1,020,339	23
Impact on total equity			
Insurance contracts and reinsurance contracts held	(10,202,423)	(1,017,897)	-
Financial instruments	10,085,842	1,020,339	23
Impact on CSM			
Insurance contracts and reinsurance contracts held	(339,016)	(100,544)	-
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(b) Market risk (continued)

Credit risk

Credit risk arises from third parties failing 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 and treasury activities.

Fundamental to AIA's credit risk management is adherence to a well-controlled underwriting process. Credit risk limits are applied to control concentrations in individual exposures, sector and cross-border investments. A detailed analysis of each counterparty is performed and a rating is determined by the local and/or Group investment team according to an internal rating framework. The Group's Risk Management function manages this internal ratings framework and conducts periodic rating validations. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

With respect to investing activities, investment objectives including asset allocation limits and permitted variances from such limits for the Branch and AIA Group are approved by the Group FRC. The guidelines are structured to apply to AIA Group as a whole, and then to the Branch.

The Branch adopts the overall policies, standards and procedures set up by the 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. These policies and standards are consistent with the Branch's Investment Philosophy and Risk Appetite, as endorsed by the Head Office's Board.

In addition to Risk Tolerances, credit risk is managed with an Investment Risk Watch List. The Investment Risk Watch List may include single-name obligors, countries, industry sectors, asset classes or concentrations, to which AIA Group needs to restrict exposures as they may create potential reputational or financial risk inconsistent with the Risk Tolerances.

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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(b) Market risk (continued)

Credit risk (continued)

External ratings			
Standard and Poor's and Fitch	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 ⁽¹⁾

⁽¹⁾ *Unless otherwise identified individually.*

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 monitors concentrations of credit arising from investment in debt securities by type, nature and rating as shown in Note 13. 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 2025 B\$	As at 31 December 2024 B\$
AAA	-	-
AA	302,833	144,530
A	6,934,409	6,804,022
BBB	3,413,165	3,031,786
Total	<u>10,650,407</u>	<u>9,980,338</u>

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(b) Market risk (continued)

Credit risk (continued)

Financial assets measured at fair value through other comprehensive income

B\$	As at 31 December 2025	As at 31 December 2024
	12-month ECL	12-month ECL
Debt securities		
AAA	123,926,128	122,820,615
AA	6,506,273	-
A	36,469,263	30,269,862
BBB	37,032,784	29,575,306
Below investment grade	-	5,030,304
Total gross carrying amount	203,934,448	187,696,087
Loss allowance	(235,562)	(276,403)
Amortised cost	203,698,886	187,419,684
Carrying amount – fair value	209,686,706	188,235,446

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 considered 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.

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(d) 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.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(d) Sensitivity analysis (continued)

Sensitivity analysis on interest rate risk

An analysis of the Branch's sensitivity to a 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 2025			
+ 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	18,412,407	18,404,917	(14,439,139)
Financial instruments	(19,156,714)	(25,507,767)	N/A
	<u>(744,307)</u>	<u>(7,102,850)</u>	
- 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	(20,328,820)	(20,371,298)	16,056,420
Financial instruments	21,145,447	27,869,278	N/A
	<u>816,627</u>	<u>7,497,980</u>	
31 December 2024			
+ 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	16,977,574	16,948,101	(12,953,620)
Financial instruments	(17,418,033)	(23,964,088)	N/A
	<u>(440,459)</u>	<u>(7,015,987)</u>	
- 50 basis points shift in yield curves:			
Insurance contracts and reinsurance contracts held	(18,743,177)	(18,753,526)	14,192,234
Financial instruments	19,234,941	26,310,920	N/A
	<u>491,764</u>	<u>7,557,394</u>	

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

22. Risk management (continued)

(B) Investment and financial risk (continued)

(d) *Sensitivity analysis* (continued)

Sensitivity analysis on equity risk

An analysis of the Branch's sensitivity to a 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 2025			
10 per cent increase in equity prices:			
Insurance contracts and reinsurance contracts held	(14,784,597)	(14,784,144)	2,873,293
Financial instruments	19,573,968	19,573,968	N/A
	4,789,371	4,789,824	
10 per cent decrease in equity prices:			
Insurance contracts and reinsurance contracts held	14,784,597	14,784,144	(2,873,293)
Financial instruments	(19,573,968)	(19,573,968)	N/A
	(4,789,371)	(4,789,824)	
31 December 2024			
10 per cent increase in equity prices:			
Insurance contracts and reinsurance contracts held	(12,161,274)	(12,161,899)	2,363,862
Financial instruments	16,008,494	16,008,494	N/A
	3,847,220	3,846,595	
10 per cent decrease in equity prices:			
Insurance contracts and reinsurance contracts held	12,161,274	12,161,899	(2,363,862)
Financial instruments	(16,008,494)	(16,008,494)	N/A
	(3,847,220)	(3,846,595)	

(e) *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 2025 B\$	As at 31 December 2024 B\$
Cash and cash equivalents	5,702,154	11,383,652
Financial investments and policy loan	566,115,569	504,101,845
Property held for own use	1,243,589	1,752,363
Other assets	12,166,093	9,444,366
Less: payables and other liabilities	(59,592,640)	(62,717,022)
Total	525,634,765	463,965,204

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

23. Employee compensation

During the financial year ended 31 December 2025, the AIAGL made further awards of 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 grants 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.

For RSUs granted in 2024 and before, the participants are not entitled to dividends of the underlying shares. For RSUs granted in 2025 and onwards, dividend equivalent units will be credited in the form of share units on each dividend payment date during the vesting period.

	2025	2024
	Number of	Number of
	shares	shares
Restricted Share Units		
Outstanding at beginning of financial year	16,025	12,454
Granted	-	6,671
Vested	(2,796)	(1,435)
Forfeited	(1,942)	(1,665)
Outstanding at end of financial year	11,287	16,025

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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% (2024: 10%) of the annual basic salary subject to a maximum of HK\$150,000 (2024: 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 2025, eligible employees paid B\$77,783 (2024: B\$80,137) to purchase 6,684 (2024: 8,246) 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 the 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 granted matching restricted stock subscription units are expected to be settled in equity of AIAGL. The level of qualified agent contribution is subject to a maximum of HK\$150,000 (2024: HK\$150,000) per annum. For the financial year ended 31 December 2025, eligible agents paid B\$89,669 (2024: B\$101,902) to purchase 8,008 (2024: 10,156) ordinary shares of AIAGL.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

23. Employee compensation (continued)

(iv) Valuation methodology

The Branch utilises 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 the AIAGL's shares which is based on an analysis of historical data since they are traded on the Hong Kong Stock Exchange. For RSUs granted in 2025, the value of assumed dividend payments during the vesting period is estimated based on an analysis of historical dividend payout and the Group's dividend policy. The estimate of market condition for performance based RSUs is based on one-year historical data preceding the grant date.

	Year ended 31 December 2025		
	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions			
Risk-free interest rate	3.09%*	2.47%	3.07%
Volatility	29%	NA	NA
Dividend yield	NA	2.1%	1.8%
Assumed dividend payment (HK\$)	0.46-1.46	NA	NA
Weighted average fair value per unit at measurement date (HK\$)	50.77	73.34	55.27
	Year ended 31 December 2024		
	Restricted share units	ESPP Restricted stock purchase units	ASPP Restricted stock subscription units
Assumptions			
Risk-free interest rate	3.69%*	2.54%	3.49%
Volatility	29%	N/A	NA
Dividend yield	1.7%	1.8%	1.7%
Weighted average fair value per unit at measurement date (HK\$)	54.71	49.54	43.02

* Applicable to RSU with market conditions.

AIA SINGAPORE PRIVATE LIMITED – BRUNEI DARUSSALAM BRANCH

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

23. Employee compensation (continued)

(v) *Recognised compensation cost*

The total recognised compensation cost (net of expected forfeitures) related to various share-based compensation awards made under the RSU Scheme, ESPP and ASPP by the Branch for the financial year ended 31 December 2025 is B\$169,922 (2024: B\$108,831).

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:

	2025	2024
	B\$	B\$
Reinsurance premiums paid to related company	138,543	155,461
Reinsurance claims recovered from related company	-	6,774
Reinsurance commission received from related company	11,660	9,454
Service fee and other expenses paid to Head Office	3,662,454	3,923,949
Service fee and other expenses paid to related companies	1,630,156	1,637,038
Service fee and other expenses paid to ultimate holding company	179,847	112,806
Payment made on behalf by Head Office	919,168	272,181
Payment made on behalf by ultimate holding company	172,155	218,173
Net collection of premium on behalf by Head Office	1,420,966	1,990,127

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

Outstanding balances at 31 December 2025, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2025

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 160% for the financial year ended 31 December 2025 (2024: 156%).

The Branch's Fund Margin of Solvency will be 174% (2024: 167%) if unit reserves of investment-linked plan are exempted in the application of clause 10 of Insurance Regulation 2006.

26. Comparative information

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year. The revised presentation does not result in a change in the Branch's net assets or profit before and after tax.

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 2026.