THE GREAT EASTERN LIFE ASSURANCE COMPANY LIMITED – BRUNEI BRANCH

(Incorporated in the Republic of Singapore)
(Company Registration No. AGO/RFC/228)

Audited Financial Statements

For the Financial Year ended 31 December 2023

Independent Auditor's Report

To the Board of Directors and Management of
The Great Eastern Life Assurance Company Limited - Brunei Branch
(Established in Brunei Darussalam)
BD 47727 Lot No. 55967
Kampong Kiarong, Mukim Gadong,
Muara District, Brunei Darussalam

Report on the Audit of the Financial Statements

Opinion

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

What we have audited

The financial statements of the Branch comprise:

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

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Act and the International Financial Reporting 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.

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 f, 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.

Independent Auditor's Report
To the Board of Directors and Management of
The Great Eastern Life Assurance Company Limited - Brunei Branch

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

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

PricewaterhouseCoopers Services

Chai Xiang Yuin
Partner

Brunei Darussalam
28 March 2024

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December

in Brunei Dollars	Note	2023	2022 (restated)
Insurance revenue	3	**7,668,078**	7,180,065
Insurance service expenses	5	**(9,596,558)**	(6,171,597)
Net expenses from reinsurance contracts held		**(289,402)**	(153,062)
Insurance service result		**(2,217,882)**	855,406
Interest revenue on			
Financial assets not measured at FVTPL		**101,688**	17,952
Financial assets measured at FVTPL		**5,367,070**	5,140,061
Other investment revenue/(loss)		**18,304,910**	(46,268,616)
Increase in provision for impairment of financial assets		**(6,358)**	(350,189)
Net investment income/(loss)	4	**23,767,310**	(41,460,792)
Finance (expenses)/income from insurance contracts issued	4	**(22,461,988)**	42,039,380
Finance income from reinsurance contracts held	4	**12,340**	10,101
Net insurance financial result		**(22,449,648)**	42,049,481
Net insurance and investment result		**(900,220)**	1,444,095
Other expenses	5	**(10,282)**	(8,328)
(Loss)/profit before income tax		**(910,502)**	1,435,767
Income tax expense	6	**(44,037)**	(24,039)
(Loss)/profit after income tax		**(954,539)**	1,411,728
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to the Profit or Loss Statement:			
Finance income/(expenses) from insurance contracts issued	4	**128,311**	(254,054)
Finance expenses from reinsurance contracts held	4	**(39,128)**	(6,379)
Total other comprehensive income/(loss) for the year		**89,183**	(260,433)
Total comprehensive (loss)/income for the year		**(865,356)**	1,151,295

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEET
As at 31 December

in Brunei Dollars	Note	**31 December 2023**	31 December 2022 (restated)	1 January 2022 (restated)
LIABILITIES				
Other creditors	7	**2,837,895**	2,513,020	1,848,121
Income tax payable		**1,642,491**	1,642,884	1,865,761
Derivative financial liabilities	11	**191,904**	660,410	188,445
Amount due to Head Office	16	**1,540,136**	-	267,203
Reinsurance contract liabilities	8	**140,526**	78,611	50,553
Insurance contract liabilities	8	**339,229,682**	307,617,044	335,858,474
TOTAL LIABILITIES		**345,582,634**	312,511,969	340,078,557
ASSETS				
Cash and cash equivalents		**42,778,664**	39,020,226	43,849,476
Other debtors	9	**3,049,926**	3,272,704	2,853,413
Derivative financial assets	11	**1,677,333**	467,346	73,321
Investments	12	**321,368,071**	291,823,530	315,573,028
Amount due from Head Office	16	**-**	1,805,948	-
Reinsurance contract assets	8	**429,796**	547,056	520,247
Insurance contract assets	8	**1,075,521**	1,420,339	1,828,582
Property, plant and equipment	15	**1,086,190**	903,043	977,418
TOTAL ASSETS		**371,465,501**	339,260,192	365,675,485
NET ASSETS		**25,882,867**	26,748,223	25,596,928
HEAD OFFICE ACCOUNT				
Accumulated income		**26,011,336**	26,965,875	25,554,147
Insurance finance reserve		**(128,469)**	(217,652)	42,781
		25,882,867	26,748,223	25,596,928

Mr Soon Tit Koon
Chairman

Mr Leo Mun Wai
Director

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT

For the financial year ended 31 December

in Brunei Dollars	Accumulated income	Insurance finance reserve	Total head office account
Balance at 1 January 2023, restated	**26,965,875**	**(217,652)**	**26,748,223**
Loss for the year	**(954,539)**	**-**	**(954,539)**
Other comprehensive income for the year	**-**	**89,183**	**89,183**
Balance at 31 December 2023	**26,011,336**	**(128,469)**	**25,882,867**
Balance at 1 January 2022, as previously reported	113,206,064	-	113,206,064
Adoption of IFRS 17	(87,651,917)	42,781	(87,609,136)
Balance at 1 January 2022, restated	25,554,147	42,781	25,596,928
Profit for the year	1,411,728	-	1,411,728
Other comprehensive loss for the year	-	(260,433)	(260,433)
Balance at 31 December 2022	26,965,875	(217,652)	26,748,223

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
For the financial year ended 31 December

In Brunei Dollars	Note	2023	2022 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before income tax		**(910,502)**	1,435,767
Adjustment for non-cash items:			
(Gain)/loss on sale of investments and changes in fair value		**(18,221,696)**	46,295,962
Unrealised loss/(gain) in exchange differences		**251,012**	(35,154)
Write off of property, plant and equipment		**-**	2,818
Increase in provision for impairment of financial assets	4	**(6,358)**	(350,189)
Depreciation	15	**102,326**	124,036
Interest income	4	**(5,468,758)**	(5,158,013)
Dividend income	4	**(83,216)**	(27,322)
		(24,337,192)	42,287,905
Changes in working capital:			
Other debtors		**547,076**	(288,528)
Other creditors		**324,875**	664,899
Changes in insurance and reinsurance contract assets/liabilities		**32,225,814**	(28,092,371)
Amount due to/(from) Head Office		**3,346,084**	(2,073,151)
Cash generated from operations		**12,106,657**	12,498,754
Income tax paid		**(44,430)**	(246,916)
Net cash flows generated from operating activities		**12,062,227**	12,251,838
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and sales of investments		**59,122,497**	81,295,761
Purchase of investments		**(72,374,847)**	(103,729,131)
Purchase of property, plant and equipment	15	**(285,473)**	(52,479)
Interest income received		**5,150,818**	5,377,439
Dividend income received		**83,216**	27,322
Net cash flows used in investing activities		**(8,303,789)**	(17,081,088)
Net increase/(decrease) in cash and cash equivalents		**3,758,438**	(4,829,250)
Cash and cash equivalents at the beginning of the year		**39,020,226**	43,849,476
Cash and cash equivalents at the end of the year		**42,778,664**	39,020,226
Cash and cash equivalents comprise:			
Cash and bank balances		**30,705,965**	27,202,561
Cash on deposit		**6,301,478**	6,244,344
Short term instruments		**5,771,221**	5,573,321
		42,778,664	39,020,226

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL

The Great Eastern Life Assurance Company Limited -- Brunei Branch (the "Branch" or "GELB") is a branch of The Great Eastern Life Assurance Company Limited, a company which is incorporated and domiciled in the Republic of Singapore. The principal place of business of the Branch is located at Brunei Darussalam 47727 Lot No 55967 Kampung Kiarong, Mukim Gadong, Brunei Muara District.

The principal activity of the Branch is to engage in life assurance business. There have been no significant changes in the nature of this activity during the financial year.

The holding company is Great Eastern Holdings Limited ("GEH"), a public listed company, incorporated in the Republic of Singapore. GEH's immediate and ultimate holding company is Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), which prepares financial statements for public use.

Under the Brunei Darussalam Insurance Order 2006 ("Insurance Order, 2006"), the Branch is required to establish and maintain an insurance fund in respect of its insurance business relating to Brunei Darussalam policies such that the assets comprised in the fund shall be applicable only to meet such part of the Branch's liabilities and expenses as is properly so attributable.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements have been prepared in accordance with the provisions of the Brunei Darussalam Companies Act, Chapter 39, and the International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The accounting policies have been consistently applied by the Branch and are consistent with those used in the previous financial year, except as disclosed below.

The financial statements are presented in Brunei Dollars (BND or $) except as otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies

The Branch has adopted the relevant new and revised standards which are effective for annual financial periods beginning on or after 1 January 2023.

2.2.1 New and Revised standards

The Branch has applied the following amendments to International Accounting Standards ("IAS")/IFRS for the first time for the annual financial periods beginning 1 January 2023.

IFRS	Title	Effective date (Annual periods beginning on)
IFRS 17	Insurance Contracts	1 January 2023
IAS 8	Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023
IAS 12	Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Various	Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023

The adoption of the new standards did not have any material impact on the financial performance or position of the Branch except for IFRS 17. IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023.

The Branch has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17. The nature and effects of the changes in the Branch's accounting policies are summarised below.

2.2.1.1 Changes to Classification and Measurement

The adoption of IFRS 17 did not change the classification of the Branch's insurance contracts.

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Branch.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.1 New and Revised standards (continued)

2.2.1.1 Changes to Classification and Measurement (continued)

The key principles of IFRS 17 are that the Branch:

- Identifies insurance contracts as those under which the Branch accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separates specified embedded derivatives, distinct investment components and distinct non-insurance goods or services from insurance contracts and accounts for them in accordance with other standards;
- Divides the insurance and reinsurance contracts (or portfolios of contracts with similar risks and managed together) into groups based on the expected contract profitability;
- Recognises and measures groups of insurance contracts at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information; plus
  - An amount representing the unearned profit in the Branch of contracts (the contractual service margin or CSM);
- Recognises profit from a group of insurance contracts over the period the Branch provides insurance coverage, as the Branch is released from risk. If a group of contracts is expected to be onerous (i.e. loss-making) over the remaining coverage period, the Branch recognises the loss immediately. An onerous contract group's expected loss is not offset against the expected gains of other contract groups.

The Branch's classification and measurement of insurance and reinsurance contracts are explained in Note 2.4.

2.2.1.2 Changes to Presentation and Disclosure

For presentation in the balance sheet, the Branch aggregates portfolios of insurance and reinsurance contracts issued and reinsurance contracts held and presents separately:

- Portfolios of insurance and reinsurance contracts issued that are assets;
- Portfolios of reinsurance contracts held that are assets;
- Portfolios of insurance contracts that are liabilities; and
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.1 New and Revised standards (continued)

2.2.1.2 Changes to Presentation and Disclosure (continued)

The descriptions of the line items in the Statement of Profit or Loss and Other Comprehensive Income have been changed significantly compared with the previous year. Previously the Branch reported the following line items: gross premiums, gross claims, maturities, surrenders and annuities and change in insurance contract liabilities. IFRS 17 requires separate presentation of:

- Insurance revenue;
- Insurance service expense;
- Insurance finance income or expense; and
- Income or expenses from reinsurance contracts held.

The Branch provides disaggregated qualitative and quantitative information in the notes to the financial statements about:

- The amounts recognised in its financial statements from insurance contracts and reinsurance contracts; and
- Significant judgment, and changes in those judgment made when applying the standard.

2.2.1.3 Transition

The Branch has restated the comparative information based on the transition approaches taken on adoption of IFRS 17.

Changes in accounting policies resulting from the adoption of IFRS 17 were applied using the fully retrospective approach to the extent practicable and the fair value approach as explained below. The fully retrospective approach was applied to insurance contracts that were originated less than one year prior to the effective date.

Where it was not possible to obtain all required historical data without undue cost and effort, the fair value approach was applied.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.1 New and Revised standards (continued)

2.2.1.3 Transition (continued)

On transition date, at 1 January 2022, the Branch:

- Identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied (unless impracticable – refer to Notes 2.2.1.3.1);
- Derecognised previously reported balances that would not have existed if IFRS 17 had always been applied; and
- Recognised any resulting net difference in equity.

The Branch has applied the transitional provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes of head office account.

2.2.1.3.1 Fair Value Approach

Under the fair value approach, the Branch determined the CSM of the liability for remaining coverage ("LRC") at the date of transition, as the difference between the fair value of a group of insurance contracts, measured in accordance with IFRS 13 Fair Value Measurement, and its fulfilment cash flows ("FCF") at that date.

The Branch has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition.

For the application of the fair value approach, the Branch has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts;
- Determine whether any contracts are direct participating insurance contracts; and
- Identify any discretionary cash flows for insurance contracts without direct participation features.

The discount rate for the group of contracts incepted after 2012 applying the fair value approach was determined based on the inception year discount rate. Whereas, the discount rate for the group of contracts incepted before 2012 applying the fair value approach was determined on transition date.

The discount rate used for accretion of interest on the CSM is determined using the bottom-up approach at inception.

The Branch used the income approach to determine the fair value amount used for establishing the insurance contract liabilities at the transition date.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.1 New and Revised standards (continued)

2.2.1.3 Transition (continued)

2.2.1.3.2 Impact on Transition

The effects from applying IFRS 17 resulted in a reduction of Head Office Account of $87,609,136, as at 1 January 2022. The net transition impact to Head Office Account consisted of the following effects.

Measurement adjustments	Description of impact
	Contracts not measured under Premium Allocation Approach ("PAA")[1]
CSM	A CSM is recognised for the unearned profit for insurance contracts.
Contract Measurement	Other components of insurance contracts are also remeasured: • Risk adjustment: The Branch recognises a separate risk adjustment for non-financial risk which is lower than the risk margin under IFRS 4 as a result of recalibration of the measurement techniques to conform with the IFRS 17 requirements. • Discount rates: The Branch now uses current discount rates to measure future cash flows as required by IFRS 17. • Deferred acquisition costs: Under IFRS 17, the Branch now recognises eligible insurance acquisition cash flows, when incurred, in the carrying amount of related groups of insurance contracts and amortises in a systematic way on the basis of the passage of time over the expected coverage of related groups of insurance contracts. • Other changes: Include those related to the application of IFRS 17 and provision for future taxes.
Insurance Finance Reserve	Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance or expenses in profit or loss. The Branch has elected the option to include these changes for certain portfolios measured under General Measurement Model ("GMM") under insurance finance reserve in other comprehensive income.

[1] The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. This approach is used for non-life insurance contracts, because each of these contracts have a coverage period of one year or less, or meets the eligibility criteria.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.1 New and Revised standards (continued)

2.2.1.3 Transition (continued)

2.2.1.3.2 Impact on Transition (continued)

Besides the impact to Head Office Account upon transition, there are also other changes in the balance sheet mainly resulting from insurance related receivables and payables now included within fulfilment cash flows instead of being presented separately.

2.2.2 IAS/IFRS not yet effective

The Branch has not applied the following IAS/IFRS that have been issued but which are not yet effective.

IFRS	Title	Effective date (Annual periods beginning on or after)
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024
IAS 1	Amendments to IAS 1: Non-current Liabilities with Covenants	1 January 2024
IFRS 16	Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
IAS 7, IFRS 7	Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangement	1 January 2024
IFRS 10, IAS 28	Amendments to IFRS 10 and IAS 28: Sale of Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Directors expect that the adoption of the new standards above will not have any material impact on the financial statements in the year of initial application.

2.3 Foreign Currency Conversion and Translation

2.3.1 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 ("the functional currency"). The financial statements of the Branch are presented in Brunei dollars, which is the Branch's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.3 Foreign Currency Conversion and Translation (continued)

2.3.2 Transactions and Balances

Transactions in foreign currency are measured in the functional currency of the Branch and are recorded on initial recognition in the functional currency at the exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

2.4 Insurance and Reinsurance Contracts

2.4.1 Definition and Classification

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

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

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Branch to financial risk are classified as investment contracts, and they follow financial instruments accounting under IFRS 9. The Branch does not have any contracts that fall under this category.

Contracts are subject to different requirements depending on whether they are classified as direct participating contracts or contracts without direct participation features. Insurance contracts with direct participation features are insurance contracts that are substantially investment-related service contracts under which the Branch promises an investment return based on underlying items; they 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 the underlying items.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.1 Definition and Classification (continued)

Direct participating contracts issued by the Branch are contracts with direct participation features where the Branch holds the pool of underlying assets and accounts for these group of contracts under the Variable Fee Approach ("VFA"). The VFA modifies the accounting model in IFRS 17 to reflect that the consideration that the Branch receives for the contracts is a variable fee.

All other insurance contracts and all reinsurance contracts are classified as contracts without direct participation features.

2.4.2 Separating Components from Insurance and Reinsurance Contracts

The Branch assesses its insurance and reinsurance contracts to determine whether they contain components which must be accounted for under another IFRS rather than IFRS 17 (distinct non insurance components). After separating any distinct components, the Branch applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Branch's contracts do not include distinct components that require separation.

Some life contracts issued by the Branch include a surrender option under which the surrender value is paid to the policyholder on maturity or earlier lapse of the contract. These surrender options have been assessed to meet the definition of a non-distinct investment component in IFRS 17. IFRS 17 defines investment components as the amounts that an insurance contract requires an insurer to repay to a policyholder in all circumstances, regardless of whether an insured event has occurred. Investment components which are highly interrelated with the insurance contract of which they form a part are considered non-distinct and are not separately accounted for. However, receipts and payments of the investment components are excluded from insurance revenue and insurance service expenses. The surrender options are considered non-distinct investment components as the Branch is unable to measure the value of the surrender option component separately from the life insurance portion of the contract.

For premium refund or experience refund components which are not subject to any conditions in the contracts, these have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.3 Level of Aggregation

2.4.3.1 Insurance Contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into quarterly cohorts (by quarter of issuance), into three groups based on the expected profitability of the contracts:

(i) contracts that are onerous at initial recognition;
(ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
(iii) remaining group of contracts.

These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. The profitability groupings are not reassessed under subsequent remeasurement.

Level of aggregation is also affected by law or regulation which specifically constrains the Branch's practical ability to set a different price or level of benefits for policyholders with different characteristics.

The Branch broadly groups its insurance contracts by how the contracts are managed, product type, currency, measurement model and insurance risks. For life insurance contracts, sets of contracts usually correspond to pricing risk groups that the Branch determines to have similar insurance risk and that are priced together by assessing the profitability of a best estimate pool of contracts on the same basis. The Branch determines the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming more onerous at the level of these pricing groups, with no information available at a more granular level. This level of granularity determines sets of contracts.

2.4.3.2 Reinsurance Contracts

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Branch aggregates reinsurance contracts into quarterly cohorts (by quarter of issuance) for life reinsurance treaties into groups of:

(i) contracts for which there is a net gain at initial recognition, if any;
(ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and
(iii) remaining contracts in the portfolio, if any.

Reinsurance contracts held are assessed for aggregation requirements on an individual reinsurance treaty basis.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.4 Recognition

A group of insurance contracts 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 contract boundary (Note 2.4.5));
- 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.

The Branch recognises a group of reinsurance contracts held from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Branch delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date when any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held; and
- The date the Branch recognises an onerous group of underlying insurance contracts if the Branch entered into the related reinsurance contract in the group of reinsurance contracts held at or before that date.

Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Composition of the groups is not reassessed in subsequent periods.

2.4.5 Contract Boundary

The Branch includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within an insurance contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Branch can compel the policyholder to pay the premiums, or in which the Branch has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.5 Contract Boundary (continued)

- The Branch has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
  - The Branch has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
  - The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Fulfilment cash flows outside the insurance contract boundary are not recognised. Such amounts relate to future insurance contracts.

For life insurance contracts with renewal periods, the Branch assesses whether premiums and related cash flows that arise from the renewed contract are within the contract boundary. The pricing of the renewals is established by the Branch by considering all the risks covered for the policyholder by the Branch, that the Branch would consider when underwriting equivalent contracts on the renewal dates for the remaining service. Therefore, the cash flows related to renewals of insurance contracts will not be included in the contract boundary.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Branch that exist during the reporting period in which the Branch is compelled to pay amounts to the reinsurer or in which the Branch has a substantive right to receive insurance contract services from the reinsurer. A substantive right to receive services from the reinsurer ends either when the reinsurer can reprice the contract to fully reflect the reinsured risk, or when the reinsurer has a substantive right to terminate coverage.

The Branch reassesses contract boundary of each group at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.6 Measurement

2.4.6.1 Measurement – contracts not measured under the PAA

On initial recognition, the Branch measures a group of insurance contracts as the total of (a) the fulfilment cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM (Note 2.4.6.3). The fulfilment cash flows of a group of insurance contracts do not incorporate the Branch's non-performance risk.

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Branch requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Branch fulfils insurance contracts.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Branch to the reinsurer.

Methods and assumptions used to determine the risk adjustment for non-financial risk are discussed in Note 2.16.

On initial recognition of a group of insurance contracts, if the total of (a) the fulfilment cash flows, (b) any cash flows arising at that date and (c) any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group 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.

If the total is a net outflow, then the group is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised (refer to the Onerous contracts – Loss component section in Note 2.4.6.4 below).

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.2 Fulfilment Cash Flows ("FCF")

The FCF are the current estimates of the future cash flows within the contract boundary of a group of contracts that the Branch expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

(a) are based on a probability-weighted mean of the full range of possible outcomes;
(b) are determined from the perspective of the Branch, provided that the estimates are consistent with observable market prices for market variables; and
(c) reflect conditions existing at the measurement date.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgment and estimation. Refer to Note 2.16(a).

2.4.6.3 Contractual Service Margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Branch will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised as in (d) below) arising from:

(a) the initial recognition of the FCF;
(b) cash flows arising from the contracts in the group at that date;
(c) the derecognition of any insurance acquisition cash flows asset; and
(d) the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.3 Contractual Service Margin (continued)

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Branch recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Branch will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

(a) the initial recognition of the FCF;
(b) cash flows arising from the contracts in the group at that date;
(c) the amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
(d) any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

2.4.6.4 Subsequent Measurement – contracts not measured under the PAA

Subsequently, 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 FCF 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 FCF are recognised as follows:

Changes relating to future service	Adjusted against CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated cash flows	Recognised as insurance finance income or expenses in profit or loss, except for certain portfolios measured using the GMM where the Other Comprehensive Income ("OCI") option is applied.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.4 Subsequent Measurement – contracts not measured under the PAA (continued)

- The CSM is adjusted subsequently only for changes in FCF that relate to future services and other specified amounts and is recognised in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognised in profit or loss because it relates to future services.

Onerous contracts – Loss component
When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Branch recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

When a loss component exists, the Branch allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:
(a) expected incurred claims and other directly attributable expenses for the period;
(b) changes in the risk adjustment for non-financial risk for the risk expired; and
(c) finance income (expenses) from insurance contracts issued.

The amounts of the loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.5 Reinsurance Contracts

The Branch will apply the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

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

The Branch will measure 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 represents the amount of risk being transferred by the Branch to the reinsurer.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Branch recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Branch will recognise as a reinsurance income or expenses as it receives insurance contract services from the reinsurer in the future.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Branch expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.6 Measurement (continued)

2.4.6.6 Insurance Acquisition Cash Flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis. Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated to that group; and to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

The insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts.

The Branch assesses at each reporting date whether facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, then the Branch:

(a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and

(b) 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 under (a).

The Branch reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions no longer exist or have improved.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.7 Derecognition and Contract Modification

An insurance contract is derecognised when it is:

- extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified and certain additional criteria discussed below are met.

When an insurance contract is modified by the Branch as a result of an agreement with the counterparties or due to a change in regulations, the Branch treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless the conditions for the derecognition of the original contract are met. The Branch derecognises the original contract and recognises the modified contract as a new contract if any of the following conditions are present:

(a) if the modified terms had been included at contract inception and the Branch would have concluded that the modified contract:
   (i) is not within the scope of IFRS 17;
   (ii) results in different separable components;
   (iii) results in a different contract boundary; or
   (iv) belongs to a different group of contracts;
(b) the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
(c) the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When a new contract is required to be recognised as a result of modification and it is within the scope of IFRS 17, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including the VFA eligibility and component separation requirements (see Note 2.4.2) and contract aggregation requirements (see Note 2.4.3).

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.4 Insurance and Reinsurance Contracts (continued)

2.4.7 Derecognition and Contract Modification (continued)

When an insurance contract not accounted for under the PAA is derecognised from within a group of insurance contracts, the Branch:

(a) adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group;

(b) adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the group) in the following manner, depending on the reason for the derecognition:

- (i) if the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service;
- (ii) if the contract is transferred to a third party, in the amount of the FCF adjustment in (a) less the premium charged by the third party; or
- (iii) if the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in (a) adjusted for the premium that the Branch would have charged if it had entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification; when recognising the new contract in this case, the Branch assumes such a hypothetical premium as actually received; and

(c) adjusts the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Recognition of Income and Expense

2.5.1 Insurance Service Result from Insurance Contracts Issued

Insurance revenue

As the Branch provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Branch expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
  - (a) expected claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
    - amounts allocated to the loss component;
    - repayments of investment components and policyholder rights to withdraw an amount;
    - amounts of transaction-based taxes collected in a fiduciary capacity;
    - insurance acquisition expenses; and
    - amounts related to the risk adjustment for non-financial risk (see (b));
  - (b) changes in the risk adjustment for non-financial risk, excluding:
    - changes included in insurance finance income (expenses);
    - changes that relate to future coverage (which adjust the CSM); and
    - amounts allocated to the loss component;
  - (c) amounts of the CSM recognised for the services provided in the period;
  - (d) experience adjustments – arising from premiums received in the period other than those that relate to future service; and
  - (e) other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.
- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows in a systematic way on the basis of the passage of time over the expected coverage of a group of contracts.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Recognition of Income and Expense (continued)

2.5.1 Insurance Service Result from Insurance Contracts Issued (continued)

Insurance service expenses

Insurance service expenses include the following:

(a) incurred claims and benefits, excluding investment components reduced by loss component allocations;
(b) other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
(c) insurance acquisition cash flows amortisation;
(d) changes that relate to past service – changes in the FCF relating to the LIC;
(e) changes that relate to future service – changes in the FCF that results in onerous contract losses or reversals of those losses; and
(f) insurance acquisition cash flows assets impairment.

For contracts not measured under the PAA, amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

Other expenses not meeting the above categories are included in other operating expenses in the Statement of Profit or Loss and Other Comprehensive Income.

2.5.2 Insurance Service Result from Reinsurance Contracts Held

Net income (expenses) from reinsurance contracts held

The Branch presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

(a) reinsurance expenses;
(b) incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
(c) other incurred directly attributable expenses;
(d) changes that relate to past service – changes in the FCF relating to incurred claims recovery; and
(e) amounts relating to accounting for onerous groups of underlying insurance contracts issued:
   i. income on initial recognition of onerous underlying contracts;
   ii. reinsurance contracts held under the GMM: reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
   iii. reinsurance contracts held under the GMM: changes in the FCF of reinsurance contracts held from onerous underlying contracts.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Recognition of Income and Expense (continued)

2.5.2 Insurance Service Result from Reinsurance Contracts Held (continued)

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

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Branch expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

(a) claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
  - amounts allocated to the loss-recovery component;
  - repayments of investment components; and
  - amounts related to the risk adjustment for non-financial risk (see (b));

(b) changes in the risk adjustment for non-financial risk, excluding:
  - changes included in finance income (expenses) from reinsurance contracts held;
  - changes that relate to future coverage (which adjust the CSM); and
  - amounts allocated to the loss-recovery component;

(c) amounts of the CSM recognised for the services received in the period; and

(d) experience adjustments – arising from premiums paid in the period other than those that relate to future service.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

2.5.3 Insurance Finance Income or Expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

(a) the effect of the time value of money and changes in the time value of money; and

(b) the effect of financial risk and changes in financial risk.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

(a) interest accreted on the FCF and the CSM;

(b) the effect of changes in interest rates and other financial assumptions, and

(c) foreign exchange differences.

For contracts measured under the VFA, insurance finance income or expenses comprise changes in the value of underlying items (excluding additions and withdrawals).

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Recognition of Income and Expense (continued)

2.5.3 Insurance Finance Income or Expenses (continued)

The Branch disaggregates changes in the risk adjustment for non-financial risk between insurance service results and insurance finance income or expenses for life insurance.

For conventional life insurance contracts, the Branch includes all insurance finance income or expenses for the period in profit or loss, except for certain portfolios measured using the GMM where the Other Comprehensive Income ("OCI") option is applied. This is expected to reduce accounting mismatches in profit or loss, considering that many of the supporting financial assets will be debt investments measured at fair value through other comprehensive income ("FVOCI").

The Branch systematically allocates expected total insurance finance income or expenses over the duration of the group of contracts to profit or loss using discount rates determined on initial recognition of the group of contracts.

In the event of transfer of a group of insurance contracts or derecognition of an insurance contract, the Branch reclassifies the insurance finance income or expenses to profit or loss as a reclassification adjustment to any remaining amounts for the group (or contract) that were previously recognised in other comprehensive income.

The groups of insurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items.

2.5.4 Other investment revenue

2.5.4.1 Interest Revenue

Interest revenue is recognised using the effective interest method.

2.5.4.2 Dividend Income

Dividend income is recognised as investment income when the Branch's right to receive the payment is established.

2.5.4.3 Gain/Loss on Sale of Investments

Gains or losses on sale of investments are derived from the difference between net sales proceeds and the purchase or amortised cost. They are recognised on trade date.

2.5.5 Impairment of Non-Financial Assets

The Branch assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment test for an asset is required, the Branch makes an estimate of the asset's recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Recognition of Income and Expense (continued)

2.5.5 Impairment of Non-Financial Assets (continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the Statement of Profit or Loss and Other Comprehensive Income. Unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.5.6 Impairment of Financial Assets

The Branch recognises loss allowances for expected credit losses ("ECL") on receivables measured at amortised cost. For trade receivables, the Branch measures the loss allowance at an amount equal to the lifetime expected credit losses. The Branch recognises a loss allowance for ECL at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

12-month ECL represents the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Modified financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made whether the financial asset should be derecognised and ECL are measured as follows:

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Recognition of Income and Expense (continued)

2.5.6 Impairment of Financial Assets (continued)

Modified financial assets (continued)

- If the expected modification will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected modification will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets measured at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Branch considers factors such as probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

For financial assets that are credit-impaired at the reporting date, the ECL is the difference between the gross carrying amount and the present value of estimated future cash flows.

Not credit-impaired financial assets

For financial assets that are not credit-impaired at the reporting date: the ECL is 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).

Write-off

Debt financial assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Branch determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.5 Recognition of Income and Expense (continued)

2.5.7 Employee Benefits

Defined contribution plans under statutory regulations

The Branch is required to make contributions on the basis of its employees' wages in accordance with the Tabung Amanah Pekerja Act, Cap. 167 and Supplemental Contributory Pension Scheme, Supplemental Contributory Pension Order, 2009. These contributions are recognised as an expense in the period in which the service is rendered.

Employee leave entitlements

An employee's entitlement to annual leave and long-service leave is estimated and accrued according to the Branch's Human Resource policy.

2.6 Income Taxes

2.6.1 Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the country where the Branch operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2.6.2 Deferred Tax

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes or except when the deferred tax arises from the initial recognition of an asset or liability in a transaction that affects neither the accounting profit nor taxable profit or loss at the time of the transaction.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.6 Income Taxes (continued)

2.6.2 Deferred Tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets, if any, are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply to taxable income in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.7 Provisions

Provisions are recognised when the Branch has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in provision due to the passage of time is recognised as a finance cost.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term, highly liquid investments, or are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Financial Assets

Initial recognition and measurement
Financial assets are recognised when, and only when, the Branch becomes a party to the contractual provisions of the financial asset. The Branch determines the classification of its financial assets at initial recognition. At initial recognition, the Branch measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs for financial assets carried at fair value through profit or loss are recognised as expense in the Statement of Profit or Loss and Other Comprehensive Income.

Classification
On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss ("FVTPL").

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost include cash and cash equivalents (Note 2.8), and receivable from other debtors.

A financial asset that otherwise meets the requirements to be measured at amortised cost by irrevocable election, be designated as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Branch has designated all debt securities which are held with the intent to collect contractual cash flows and sell as measured at FVTPL.

All other financial assets are classified as measured at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Financial Assets (continued)

Business model assessment
The Branch assesses the objective of the business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice;
- How the performance of the portfolio is evaluated and reported to the Branch's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- How managers of the business are compensated; and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Branch's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or whose performance is evaluated on a fair value basis, are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If the cash flows after initial recognition are realised in a way that is different from the Branch's original expectations, the Branch does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Branch considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Branch considers the following key aspects:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Branch's claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Financial Assets (continued)

Subsequent measurement

2.9.1 Debt Instruments

Subsequent measurement of debt instruments depends on the Branch's business model for managing the asset and the contractual cash flow characteristics of the asset. The debt instruments are measured as follows:

(i) Amortised cost

Debt instruments that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest method. Interest revenue, foreign exchange gains and losses and impairment are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Gains or losses are also recognised in profit or loss when the assets are derecognised.

(ii) Fair value through profit or loss ("FVTPL")

Debt instruments that do not meet the criteria for classification as amortised cost are measured at FVTPL. Any gains or losses from changes in fair value and interest are recognised in profit or loss.

2.9.2 Derivatives and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged and the type of hedge relationship designated. The Branch has not adopted hedge accounting.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Branch changes its business model for managing financial assets.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.9 Financial Assets (continued)

Derecognition
A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or has been transferred such that substantially all of the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in Statement of Profit or Loss and Other Comprehensive Income.

Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Branch is recognised as a separate asset or liability.

Regular way purchase or sale of a financial asset
All regular way purchases and sales of financial assets are recognised or derecognised on trade date i.e., the date that the Branch commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.10 Financial Liabilities

Initial recognition and measurement
Financial liabilities are recognised when, and only when the Branch becomes a party to the contractual obligations of the financial instrument. The Branch determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

The Branch's financial liabilities include other creditors, amount due to Head Office and derivative financial liabilities.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

2.10.1 Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at FVTPL include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term and include derivative financial instruments entered into by the Branch that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.10 Financial Liabilities (continued)

Subsequent measurement (continued)

2.10.2 Financial Liabilities at Amortised Cost

After initial recognition, other financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

2.11 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.12 Determination of Fair Value of Financial Instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted or published bid prices on the balance sheet date. If quoted prices are not available over the counter, broker or dealer price quotations are used.

For units in unit trusts and shares in open-ended investment companies, fair value is determined by reference to published bid-values.

For financial instruments where there is no active market, the fair value is determined by using valuation techniques. Such techniques include using recent arm's length transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis and/or option pricing models. For discounted cash flow techniques, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument. Certain financial instruments, including derivative financial instruments, are valued using pricing models that consider, among other factors, contractual, and market prices, correlation, time value of money, credit risk, yield curve volatility factors and/or prepayment rates of the underlying positions. The use of different pricing models and assumptions could produce materially different estimates of fair values.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.12 Determination of Fair Value of Financial Instruments (continued)

The fair value of floating rate and overnight deposits with financial institutions is their carrying value. The carrying value is the cost of the deposit and accrued interest. The fair value of fixed interest-bearing deposits is estimated using discounted cash flow techniques. Expected cash flows are discounted at current market rates for similar instruments at the balance sheet date.

2.13 Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is calculated on a straight line basis over estimated useful life of an asset. The useful lives are as follows:

Buildings	50 years
Office furniture, fittings and equipment	4 years
Computer equipment	4 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

The residual values, useful life and depreciation method are reviewed at each financial year-end and adjusted prospectively, if appropriate. This is to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the Statement of Profit or Loss and Other Comprehensive Income in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.14 Related Parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Branch if that person:
- (i) Has control or joint control over the Branch;
- (ii) Has significant influence over the Branch; or
- (iii) Is a member of the key management personnel of the Branch.

(b) An entity is related to the Branch if any of the following conditions applies:
- (i) The entity and the Branch are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of the employees of either the Branch or an entity related to the Branch. If the Branch is itself such a plan, the sponsoring employers are also related to the Branch;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

2.15 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Branch; or

(b) a present obligation that arises from past events but is not recognised because:
- (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Branch.

Contingent liabilities and assets are not recognised on the balance sheet of the Branch.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.16 Critical Accounting Estimates and Judgments

In the preparation of the Branch's financial statements, management makes estimates, assumptions and judgment that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Estimates, assumptions and judgment are continually evaluated and based on internal studies of actual historical experience and other factors. Best estimates and assumptions are constantly reviewed to ensure that they remain relevant and valid. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

(a) Insurance business

The Branch makes estimates, assumptions and judgment in its estimates of FCF, discount rates used, risk adjustments for non-financial risk, and CSM. For the sensitivities with regard to the assumptions made that have the most significant impact on measurement under IFRS 17, refer to Note 18.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the observable market yields of government securities in the currency of the insurance contract liabilities.

The Branch adopts a bottom-up approach in which discount rates are based on the relevant currency's risk-free yield curve and an adjustment for illiquidity premium.

The adjustment of illiquidity premium is added as a layer in addition to the risk-free yield curves based on the illiquidity application ratio of each portfolio.

The yield curves that were used to discount the estimates of future cash flows that do not vary based on the returns of the underlying items are as follows:

	2023				
Currency	1 year	5 years	10 years	15 years	20 years
BND	3.55% - 4.44%	2.63% - 3.80%	2.67% - 3.45%	2.73% - 3.57%	2.71% - 3.60%

	2022				
Currency	1 year	5 years	10 years	15 years	20 years
BND	3.75% - 4.68%	2.82% - 3.75%	3.06% - 3.99%	2.86% - 3.79%	2.46% - 3.39%

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.16 Critical Accounting Estimates and Judgments (continued)

(a) Insurance business (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favourable and unfavourable outcomes in a way that reflects the Branch's degree of risk aversion. The Branch estimates an adjustment for non-financial risk separately from all other estimates. The Branch does not consider the effect of reinsurance in the risk adjustment for non-financial risk of the underlying insurance contracts.

The confidence level technique is used to derive the overall risk adjustment for non-financial risk. The risk adjustment is the excess of the value at risk at the target confidence level over the expected present value of the future cash flows. The target confidence level will be at 85th percentile.

Estimates of future cash flows

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

When estimating future cash flows, the Branch takes into account current expectations of future events that might affect cash flows. Cash flows within a contract boundary are those that 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 and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.16 Critical Accounting Estimates and Judgments (continued)

(a) Insurance business (continued)

Estimates of future cash flows (continued)

The Branch derives the mortality and morbidity assumptions from the recent experience where credible. Reference to industry tables, reinsurance rates, or pricing basis is made where historical experience is not credible. Mortality and morbidity rates are generally differentiated between policyholder groups, based on gender and smoker status.

Lapses and surrender are derived based on the Branch's own experience where credible. Where historical experience is not credible or not available, experience for similar product type is used as reference to derive the assumptions. Lapse and surrender assumptions generally vary by product type as well as policy years.

Coverage units

The type of service provided and the pattern in which services are provided is a significant judgment to be made in measuring groups of insurance contracts.

The number of coverage units in a group is the quantity of coverage provided by the contracts in the group, determined by considering the quantity of the benefits provided by a contract in the group and its expected coverage duration. The coverage units are assessed at each reporting period-end prospectively by considering:

(a) the quantity of benefits provided by contracts in the group,
(b) the expected coverage period of contracts in the group; and
(c) the likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Branch uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for quantifying benefits with respect to insurance coverage.

(b) Income taxes

Significant judgment is required in determining the capital allowances and deductibility of certain expenses and taxability of certain income during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Branch recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the determination is made.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

2.16 Critical Accounting Estimates and Judgments (continued)

(c) **Impairment of financial assets**

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Branch uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Branch's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

In Brunei Dollars	Note	2023	2022 (restated)

3. INSURANCE REVENUE

The table below presents an analysis of the total insurance revenue recognised in the year:

Contracts not measured under the PAA			
Amounts relating to the changes in the liability for remaining coverage:			
- Expected incurred claims and other insurance service expenses		**6,060,664**	5,458,677
- Change in the risk adjustment for non-financial risk for the risk expired		**174,026**	189,100
- CSM recognised in the profit or loss for the services provided		**744,918**	1,137,279
Insurance acquisition cash flows recovery		**688,470**	395,009
Total insurance revenue	8	**7,668,078**	7,180,065

4. NET INVESTMENT AND INSURANCE FINANCIAL RESULT

The table below presents an analysis of net investment income and net insurance financial result recognised in profit or loss and OCI in the year:

Investment income/(loss)			
Interest revenue	4.1	**5,468,758**	5,158,013
Other investment revenue/(loss)	4.2	**18,304,910**	(46,268,616)
Increase in provision for impairment of financial assets		**(6,358)**	(350,189)
Total investment income/(loss)		**23,767,310**	(41,460,792)
Finance (expenses)/income from insurance contracts issued			
Changes in value of underlying items of contracts measured under VFA		**(22,284,447)**	42,015,279
Interest accreted		**(177,541)**	24,101
Effect of changes in interest rates and other financial assumptions		**(26,083)**	(267,688)
Effect of changes in FCF at current rates when CSM is unlocked at locked-in rates		**154,394**	13,634
Total finance (expenses)/income from insurance contracts issued		**(22,333,677)**	41,785,326
Represented by:			
Amounts recognised in profit or loss		**(22,461,988)**	42,039,380
Amounts recognised in OCI		**128,311**	(254,054)
		(22,333,677)	41,785,326

In Brunei Dollars	Note	2023	2022 (restated)

4. NET INVESTMENT AND INSURANCE FINANCIAL RESULT (continued)

The table below presents an analysis of net investment income and net insurance financial result recognised in profit or loss and OCI in the year (continued):

	Note	2023	2022 (restated)
Finance (expenses)/income from reinsurance contracts held			
Interest accreted		**(16,638)**	10,100
Effect of changes in interest rates and other financial assumptions		**(9,957)**	(6,379)
Changes in non-performance risk of reinsurer		**(193)**	1
Total finance (expenses)/income from reinsurance contracts held		**(26,788)**	3,722
Represented by:			
Amounts recognised in profit or loss		**12,340**	10,101
Amounts recognised in OCI		**(39,128)**	(6,379)
		(26,788)	3,722
Total net investment and insurance financial result		**1,406,845**	328,256
Represented by:			
Amounts recognised in profit or loss		**1,317,662**	588,689
Amounts recognised in OCI		**89,183**	(260,433)
		1,406,845	328,256

4.1 Interest revenue

	Note	2023	2022 (restated)
Financial assets not measured at FVTPL			
Financial assets measured at AC		**101,688**	17,952
Total interest revenue calculated using effective interest rate		**101,688**	17,952
Financial assets measured at FVTPL		**5,367,070**	5,140,061
Total interest revenue	4	**5,468,758**	5,158,013

4.2 Other investment revenue/(loss)

	Note	2023	2022 (restated)
Underlying assets for contracts with direct participation features			
Dividend income from financial assets measured at FVTPL		**83,216**	27,322
Changes in fair value of investments			
- Mandatorily measured at FVTPL		**10,262,145**	(22,253,517)
- Designated as FVTPL		**7,959,551**	(24,042,445)
(Loss)/gain on exchange differences		**(2)**	24
Total other investment revenue/(loss)		**18,304,910**	(46,268,616)
Represented by:			
Amounts recognised in profit or loss		**18,304,910**	(46,268,616)
	4	**18,304,910**	(46,268,616)

NOTES TO THE FINANCIAL STATEMENTS

5. EXPENSES

An analysis of the expenses incurred by the Branch in the reporting year is included below:

In Brunei Dollars	Note	2023	2022 (restated)
Claims and benefits		**5,419,700**	3,352,370
Commissions and distribution expenses		**1,899,529**	2,304,304
Fees paid to auditors		**98,922**	66,928
Staff costs and related expenses		**885,752**	779,296
Salaries, wages, bonuses and other costs		**840,123**	740,803
Employee Provident Fund		**45,629**	38,493
Depreciation expense	15	**102,326**	124,036
Losses on onerous contracts and reversals of those losses		**1,177,046**	357,083
Investment related expenses		**1,424,738**	1,101,903
Others		**804,493**	640,982
		11,812,506	8,726,902
Amounts attributed to insurance acquisition cash flows incurred during the year		**(2,894,136)**	(2,941,986)
Amortisation of insurance acquisition cash flows		**688,470**	395,009
		9,606,840	6,179,925
Represented by:			
Insurance service expenses	8	**9,596,558**	6,171,597
Other expenses		**10,282**	8,328
		9,606,840	6,179,925

NOTES TO THE FINANCIAL STATEMENTS

In Brunei Dollars	Note	**2023**	2022 (restated)

6. INCOME TAX

Major components of income tax expense

The major component of income tax expense for the years ended 31 December 2023 and 2022 is:

Current income taxation		**44,037**	24,039
Total income tax expense recognised for the year		**44,037**	24,039

Relationship between income tax expense and accounting loss

The reconciliation between income tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 is as follows:

(Loss)/profit before income tax		**(910,502)**	1,435,767
Tax at statutory rate of 18.5% (2022: 18.5%)		**(168,443)**	265,617
Adjustments:			
Foreign tax paid not recoverable		**44,037**	24,039
Effect of being taxed on a different basis		**168,443**	(265,617)
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income		**44,037**	24,039

7. OTHER CREDITORS

Accrued expenses and other creditors		**1,407,082**	1,293,837
Investment creditors		**1,417,780**	1,160,200
Premiums in suspense		**13,033**	58,983
		2,837,895	2,513,020

8. INSURANCE AND REINSURANCE CONTRACTS

The breakdown of groups of insurance contracts issued and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

Insurance contract liabilities	8.1	**339,229,682**	307,617,044
Insurance contract assets	8.1	**(1,075,521)**	(1,420,339)
Total insurance contracts issued		**338,154,161**	306,196,705
Reinsurance contract assets	8.2	**429,796**	547,056
Reinsurance contract liabilities	8.2	**(140,526)**	(78,611)
Total reinsurance contracts held		**289,270**	468,445

Detailed reconciliations of changes in insurance contract balances during the year are included in Notes 8.1 and 8.2.

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.1 Insurance contracts issued

8.1.1 Reconciliation of the liabilities for remaining coverage and incurred claims

		2023				2022			
		Liabilities for remaining coverage				Liabilities for remaining coverage			
In Brunei Dollars	Note	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Insurance contract liabilities as at 1 January		298,644,413	359,854	8,612,777	307,617,044	327,523,354	-	8,335,120	335,858,474
Insurance contract assets as at 1 January		(1,458,628)	296	37,993	(1,420,339)	(1,969,971)	-	141,389	(1,828,582)
Net insurance contract liabilities as at 1 January		297,185,785	360,150	8,650,770	306,196,705	325,553,383	-	8,476,509	334,029,892
Insurance revenue									
Contracts under fair value transition approach		(6,182,559)	-	-	(6,182,559)	(6,593,820)	-	-	(6,593,820)
Other contracts		(1,485,519)	-	-	(1,485,519)	(586,245)	-	-	(586,245)
	3	(7,668,078)	-	-	(7,668,078)	(7,180,065)	-	-	(7,180,065)
Insurance service expenses									
Incurred claims and other expenses		-	-	7,715,976	7,715,976	-	-	5,416,015	5,416,015
Amortisation of insurance acquisition cash flows		688,470	-	-	688,470	395,009	-	-	395,009
Losses on onerous contracts and reversals of those losses		-	1,177,046	-	1,177,046	-	357,083	-	357,083
Changes to liabilities for incurred claims		-	-	15,066	15,066	-	-	3,490	3,490
	5	688,470	1,177,046	7,731,042	9,596,558	395,009	357,083	5,419,505	6,171,597
Insurance service result		(6,979,608)	1,177,046	7,731,042	1,928,480	(6,785,056)	357,083	5,419,505	(1,008,468)
Insurance finance expenses/(income)	4	22,152,988	6,757	173,932	22,333,677	(41,965,626)	3,067	177,233	(41,785,326)
Total changes in the statement of profit or loss and OCI		15,173,380	1,183,803	7,904,974	24,262,157	(48,750,682)	360,150	5,596,738	(42,793,794)
Investment components		(9,142,373)	-	9,142,373	-	(7,686,940)	-	7,686,940	-
Cash flows									
Premiums received		29,034,659	-	-	29,034,659	31,790,551	-	-	31,790,551
Claims and other expenses paid		-	-	(20,587,574)	(20,587,574)	-	-	(16,228,236)	(16,228,236)
Insurance acquisition cash flows		(2,894,136)	-	-	(2,894,136)	(2,941,986)	-	-	(2,941,986)
Total cash flows		26,140,523	-	(20,587,574)	5,552,949	28,848,565	-	(16,228,236)	12,620,329
Other movements		(1,962,960)	-	4,105,310	2,142,350	(778,541)	-	3,118,819	2,340,278
Net insurance contract liabilities as at 31 December		327,394,355	1,543,953	9,215,853	338,154,161	297,185,785	360,150	8,650,770	306,196,705
Insurance contract liabilities as at 31 December	8	328,690,520	1,357,153	9,182,009	339,229,682	298,644,413	359,854	8,612,777	307,617,044
Insurance contract assets as at 31 December	8	(1,296,165)	186,800	33,844	(1,075,521)	(1,458,628)	296	37,993	(1,420,339)
Net insurance contract liabilities as at 31 December		327,394,355	1,543,953	9,215,853	338,154,161	297,185,785	360,150	8,650,770	306,196,705

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.1 Insurance contracts issued (continued)

8.1.2 Reconciliation of the measurement components of insurance contract balances – contracts not measured under the PAA

		2023				2022			
In Brunei Dollars	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Insurance contract liabilities as at 1 January		304,480,568	2,457,075	679,401	307,617,044	326,224,576	2,659,798	6,974,100	335,858,474
Insurance contract assets as at 1 January		(3,168,120)	1,013,355	734,426	(1,420,339)	(3,523,997)	882,094	813,321	(1,828,582)
Net insurance contract liabilities as at 1 January		301,312,448	3,470,430	1,413,827	306,196,705	322,700,579	3,541,892	7,787,421	334,029,892
Changes that relate to current services									
CSM recognised for services provided		-	-	(744,918)	(744,918)	-	-	(1,137,279)	(1,137,279)
Risk adjustment recognised for the risk expired		-	(241,973)	-	(241,973)	-	(235,013)	-	(235,013)
Experience adjustments		1,251,766	-	-	1,251,766	(296,801)	-	-	(296,801)
Changes that relate to future services									
Contracts initially recognised in the period		(728,785)	251,525	504,233	26,973	(960,528)	212,351	750,875	2,698
Changes in estimates that adjust the CSM		1,441,329	142,904	(1,584,233)	-	6,433,792	(427,065)	(6,006,727)	-
Changes that result in onerous losses or reversal of such losses		1,526,352	95,214	-	1,621,566	386,921	267,516	-	654,437
Changes that relate to past services									
Adjustments to liabilities for incurred claims		-	15,066	-	15,066	-	3,490	-	3,490
Insurance service result		3,490,662	262,736	(1,824,918)	1,928,480	5,563,384	(178,721)	(6,393,131)	(1,008,468)
Insurance finance expenses/(income)	4	21,185,774	90,581	1,057,322	22,333,677	(41,912,122)	107,259	19,537	(41,785,326)
Total changes in the statement of profit or loss and OCI		24,676,436	353,317	(767,596)	24,262,157	(36,348,738)	(71,462)	(6,373,594)	(42,793,794)
Cash flows									
Premiums received		29,034,659	-	-	29,034,659	31,790,551	-	-	31,790,551
Claims and other expenses paid		(20,587,574)	-	-	(20,587,574)	(16,228,236)	-	-	(16,228,236)
Insurance acquisition cash flows		(2,894,136)	-	-	(2,894,136)	(2,941,986)	-	-	(2,941,986)
Total cash flows		5,552,949	-	-	5,552,949	12,620,329	-	-	12,620,329
Other movements		2,142,350	-	-	2,142,350	2,340,278	-	-	2,340,278
Net insurance contract liabilities as at 31 December		333,684,183	3,823,747	646,231	338,154,161	301,312,448	3,470,430	1,413,827	306,196,705
Insurance contract liabilities as at 31 December	8	336,431,136	2,684,665	113,881	339,229,682	304,480,568	2,457,075	679,401	307,617,044
Insurance contract assets as at 31 December	8	(2,746,953)	1,139,082	532,350	(1,075,521)	(3,168,120)	1,013,355	734,426	(1,420,339)
Net insurance contract liabilities as at 31 December		333,684,183	3,823,747	646,231	338,154,161	301,312,448	3,470,430	1,413,827	306,196,705

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.1 Insurance contracts issued (continued)

8.1.3 Impact of contracts recognised during the year – contracts not measured under the PAA

	Contracts issued					
	2023			2022		
In Brunei Dollars	Non-onerous	Onerous	Total	Non-onerous	Onerous	Total
Claims and other directly attributable expenses	15,541,297	471,422	16,012,719	15,654,233	223,301	15,877,534
Insurance acquisition cash flows	2,401,975	165,022	2,566,997	2,029,542	94,724	2,124,266
Estimate of present value of future cash outflows	17,943,272	636,444	18,579,716	17,683,775	318,025	18,001,800
Estimate of present value of future cash inflows	(18,631,509)	(676,992)	(19,308,501)	(18,611,710)	(350,618)	(18,962,328)
Risk adjustment	184,004	67,521	251,525	177,060	35,291	212,351
CSM	504,233	-	504,233	750,875	-	750,875
Increase in insurance contract liabilities from contracts recognised during the year	-	26,973	26,973	-	2,698	2,698

8.1.4 Amounts determined on transition to IFRS 17

	2023			2022		
In Brunei Dollars	Contracts using the fair value approach	All other contracts	Total	Contracts using the fair value approach	All other contracts	Total
CSM as at 1 January	985,460	428,367	1,413,827	7,787,421	-	7,787,421
Changes that relate to current services						
CSM recognised for services provided	(403,527)	(336,391)	(744,918)	(991,879)	(145,400)	(1,137,279)
Changes that relate to future services						
Contracts initially recognised in the period	489,799	14,434	504,233	(20,517)	771,392	750,875
Changes in estimates that adjust the CSM	(1,445,764)	(138,469)	(1,584,233)	(5,806,287)	(200,440)	(6,006,727)
Insurance service result	(1,364,492)	(460,426)	(1,824,918)	(6,818,683)	425,552	(6,393,131)
Insurance finance expense	681,313	376,009	1,057,322	16,722	2,815	19,537
Total changes in the statement of profit or loss and OCI	(683,179)	(84,417)	(767,596)	(6,801,961)	428,367	(6,373,594)
CSM as at 31 December	302,281	343,950	646,231	985,460	428,367	1,413,827

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.2 Reinsurance contracts held

8.2.1 Reconciliation of the assets for remaining coverage and incurred claims

		2023			2022		
		Assets for remaining coverage			Assets for remaining coverage		
In Brunei Dollars	Note	Excluding loss-recovery component	Assets for incurred claims	Total	Excluding loss-recovery component	Assets for incurred claims	Total
Reinsurance contract assets as at 1 January		514,117	32,939	547,056	396,347	123,900	520,247
Reinsurance contract liabilities as at 1 January		(108,387)	29,776	(78,611)	(48,270)	(2,283)	(50,553)
Net reinsurance contract assets as at 1 January		405,730	62,715	468,445	348,077	121,617	469,694
Allocation of reinsurance premiums		(322,855)	-	(322,855)	(295,419)	-	(295,419)
Amounts recoverable from reinsurers							
Recoveries of incurred claims and other insurance service expenses		-	33,453	33,453	-	142,357	142,357
Net (expenses)/income from reinsurance contracts held		(322,855)	33,453	(289,402)	(295,419)	142,357	(153,062)
Net finance (expenses)/income from reinsurance contracts held	4	(26,788)	-	(26,788)	3,722	-	3,722
Total changes in the statement of profit or loss and OCI		(349,643)	33,453	(316,190)	(291,697)	142,357	(149,340)
Cash flows							
Premiums paid		206,168	-	206,168	349,350	-	349,350
Amounts received		-	(91,030)	(91,030)	-	(201,259)	(201,259)
Total cash flows		206,168	(91,030)	115,138	349,350	(201,259)	148,091
Other movements		-	21,877	21,877	-	-	-
Net reinsurance contract assets as at 31 December		262,255	27,015	289,270	405,730	62,715	468,445
Reinsurance contract assets as at 31 December	8	402,781	27,015	429,796	514,117	32,939	547,056
Reinsurance contract liabilities as at 31 December	8	(140,526)	-	(140,526)	(108,387)	29,776	(78,611)
Net reinsurance contract assets as at 31 December		262,255	27,015	289,270	405,730	62,715	468,445

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.2 Reinsurance contracts held (continued)

8.2.2 Reconciliation of the measurement components of reinsurance contract balances – contracts not measured under the PAA

		2023				2022			
In Brunei Dollars	Note	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of the present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contract assets as at 1 January		95,510	406,320	45,226	547,056	92,504	331,661	96,082	520,247
Reinsurance contract liabilities as at 1 January		(78,611)	-	-	(78,611)	(50,553)	-	-	(50,553)
Net reinsurance contract assets as at 1 January		16,899	406,320	45,226	468,445	41,951	331,661	96,082	469,694
Changes that relate to current services									
CSM recognised for services provided		-	-	(4,283)	(4,283)	-	-	(8,169)	(8,169)
Risk adjustment recognised for the risk expired		-	(13,228)	-	(13,228)	-	(11,434)	-	(11,434)
Experience adjustments		(271,891)	-	-	(271,891)	(133,459)	-	-	(133,459)
Changes that relate to future services									
Contracts initially recognised in the period		24,473	66,755	(91,228)	-	10,930	55,781	(66,711)	-
Changes in estimates that adjust the CSM		(31,599)	15,999	15,600	-	(50,413)	27,836	22,577	-
Net (expenses)/income from reinsurance contracts held		(279,017)	69,526	(79,911)	(289,402)	(172,942)	72,183	(52,303)	(153,062)
Finance (expenses)/income from reinsurance contracts held	4	(27,149)	760	(399)	(26,788)	(201)	2,476	1,447	3,722
Total changes in the statement of profit or loss and OCI		(306,166)	70,286	(80,310)	(316,190)	(173,143)	74,659	(50,856)	(149,340)
Cash flows									
Premiums received		206,168	-	-	206,168	349,350	-	-	349,350
Claims and other expenses paid		(91,030)	-	-	(91,030)	(201,259)	-	-	(201,259)
Total cash flows		115,138	-	-	115,138	148,091	-	-	148,091
Other movements		21,877	-	-	21,877	-	-	-	-
Net reinsurance contract (liabilities)/assets as at 31 December		(152,252)	476,606	(35,084)	289,270	16,899	406,320	45,226	468,445
Reinsurance contract assets as at 31 December	8	(11,726)	476,606	(35,084)	429,796	95,510	406,320	45,226	547,056
Reinsurance contract liabilities as at 31 December	8	(140,526)	-	-	(140,526)	(78,611)	-	-	(78,611)
Net reinsurance contract (liabilities)/assets as at 31 December		(152,252)	476,606	(35,084)	289,270	16,899	406,320	45,226	468,445

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.2 Reinsurance contracts held (continued)

8.2.3 Impact of contracts recognised during the year – contracts not measured under the PAA

In Brunei Dollars	2023 Contracts originated not in a net gain	2023 Total	2022 Contracts originated not in a net gain	2022 Total
Estimate of present value of future cash outflows	**(459,789)**	**(459,789)**	(391,523)	(391,523)
Estimate of present value of future cash inflows	**484,262**	**484,262**	402,453	402,453
Risk adjustment	**66,755**	**66,755**	55,781	55,781
CSM	**(91,228)**	**(91,228)**	(66,711)	(66,711)
Increase in reinsurance contract assets from contracts recognised during the year	-	-	-	-

8.2.4 Amounts determined on transition to IFRS 17

In Brunei Dollars	2023 Contracts using the fair value approach	2023 All other contracts	2023 Total	2022 Contracts using the fair value approach	2022 All other contracts	2022 Total
CSM as at 1 January	**82.891**	**(37,665)**	**45,226**	96,082	-	96,082
Changes that relate to current services						
CSM recognised for services provided	**(9,956)**	**5,673**	**(4,283)**	(10,126)	1,957	(8,169)
Changes that relate to future services						
Contracts initially recognised in the period	-	**(91,228)**	**(91,228)**	-	(66,711)	(66,711)
Changes in estimates that adjust the CSM	**2 710**	**12,890**	**15,600**	(5,218)	27,795	22,577
Insurance service result	**(7,246)**	**(72,665)**	**(79,911)**	(15,344)	(36,959)	(52,303)
Finance income/(expenses) from reinsurance contracts held	**2 473**	**(2,872)**	**(399)**	2,153	(706)	1,447
Total changes in the statement of profit or loss or OCI	**(4,773)**	**(75,537)**	**(80,310)**	(13,191)	(37,665)	(50,856)
CSM as at 31 December	**78 118**	**(113,202)**	**(35,084)**	82,891	(37,665)	45,226

NOTES TO THE FINANCIAL STATEMENTS

8. INSURANCE AND REINSURANCE CONTRACTS (continued)

8.3 Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

	2023						
In Brunei Dollars	**Less than 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
Insurance contracts issued							
Life	194,676	68,590	58,345	49,667	40,653	234,300	646,231
Total insurance contracts issued	194,676	68,590	58,345	49,667	40,653	234,300	646,231
Reinsurance contracts held							
Life	45,207	1,455	946	507	314	(13,345)	35,084
Total reinsurance contracts held	45,207	1,455	946	507	314	(13,345)	35,084

	2022						
In Brunei Dollars	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Insurance contracts issued							
Life	395,404	138,686	122,450	107,545	95,506	554,236	1,413,827
Total insurance contracts issued	395,404	138,686	122,450	107,545	95,506	554,236	1,413,827
Reinsurance contracts held							
Life	8,023	(5,308)	(4,963)	(4,597)	(4,234)	(34,147)	(45,226)
Total reinsurance contracts held	8,023	(5,308)	(4,963)	(4,597)	(4,234)	(34,147)	(45,226)

NOTES TO THE FINANCIAL STATEMENTS

In Brunei Dollars	Note	2023	2022 (restated)
9. OTHER DEBTORS			
Financial Assets:			
Accrued interest receivable		**1,637,663**	1,630,468
Investment debtors		**359,574**	627,672
Deposit collected		**1,003,250**	1,003,250
Other debtors		**1,314**	1,314
	10	**3,001,801**	3,262,704
Non-Financial Assets:			
Prepayments		**48,125**	10,000
		3,049,926	3,272,704

10. FINANCIAL ASSETS AT AMORTISED COST

	Note	2023	2022 (restated)
Cash and cash equivalents		**42,778,664**	39,020,226
Other debtors	9	**3,001,801**	3,262,704
		45,780,465	42,282,930

NOTES TO THE FINANCIAL STATEMENTS

In Brunei Dollars		**Notional Amount**	**Derivative Financial Assets**	**Derivative Financial Liabilities**	Notional Amount	Derivative Financial Assets	Derivative Financial Liabilities
		2023	**2023**	**2023**	2022	2022	2022
11. DERIVATIVE FINANCIAL INSTRUMENTS							
Foreign exchange:	**Forwards**	**35,204,764**	**361,076**	**191,904**	14,799,922	317,961	20,904
Interest rates:	**Swaps**	**37,800,000**	**851,385**	**-**	35,640,000	149,385	507,188
	Exchange traded futures	**4,405,292**	**464,872**	**-**	89,140	-	132,318
		77,410,056	**1,677,333**	**191,904**	50,529,062	467,346	660,410

The table above shows the fair value of derivative financial instruments, recorded as assets or liabilities together with their notional amounts. The notional amount, recorded at gross, is the amount of a derivative's underlying asset, reference rate or index and the basis upon which changes in the value of derivatives are measured.

The fair value of derivatives shown above represents the current risk exposure but not the maximum risk exposure that would arise in the future as a result of the changes in value.

NOTES TO THE FINANCIAL STATEMENTS

In Brunei Dollars	2023	2022
12. INVESTMENTS		
Mandatorily measured at FVTPL		
Other investments		
Collective investment schemes [1]	**117,029,340**	96,739,776
Total financial assets mandatorily measured at FVTPL	**117,029,340**	96,739,776
Designated at FVTPL		
Debt securities		
(i) Quoted debt securities	**192,485,738**	186,943,666
(ii) Unquoted debt securities	**11,852,993**	8,140,088
Total financial assets designated at FVTPL [2]	**204,338,731**	195,083,754
TOTAL INVESTMENTS	**321,368,071**	291,823,530

[1] Collective investment schemes include but are not limited to Hedge funds, Exchange-Traded funds and Open Ended Investment Companies.

[2] These securities are designated at fair value through the Profit or Loss statement on initial recognition.

13. UNDERLYING ITEMS

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

Cash and cash equivalents	**42,778,664**	39,020,226
Derivative financial instruments	**1,485,429**	(193,064)
Debt securities	**204,338,731**	195,083,754
Collective investment schemes	**117,029,340**	96,739,776
Property, plant and equipment	**1,646,610**	1,315,363
TOTAL	**367,278,774**	331,966,055

NOTES TO THE FINANCIAL STATEMENTS

14. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

A structured entity is defined as an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements. The Branch has an interest in unconsolidated structured entities as described below.

The Branch holds shares or units in investment vehicles, which consist of:

- Collective Investment Schemes which comprise: Hedge funds, Exchange-Traded funds ("ETF") and Open Ended Investment Companies ("OEIC").

The Branch's holding in investment vehicles are subject to the terms and conditions of the respective investment vehicle's offering documentation and are susceptible to market price risk arising from uncertainties about future values of those investment vehicles.

The investment vehicles in the investment portfolio are managed by portfolio managers who are compensated by the respective investment vehicles for their services. Such compensation generally consists of an asset-based fee and a performance-based incentive fee, and is reflected in the valuation of the investment vehicles.

As part of its investment activities, the Branch invests in unconsolidated structured entities. As at 31 December 2023, the Branch's total interest in unconsolidated structured entities was $117,029,340 (31 December 2022: $96,739,776) on the Branch's balance sheet.

The Branch does not sponsor any of the unconsolidated structured entities.

A summary of the Branch's interest in unconsolidated structured entities is as follows:

in Brunei Dollars	Financial investments	
	2023	2022
Collective Investment Schemes		
Analysed as:		
Hedge funds	**42**	42
ETF	**8,218,355**	6,266,562
OEIC	**108,810,943**	90,473,172
Total	**117,029,340**	96,739,776

The Branch's maximum exposure to the loss on the interests presented above is the carrying amount of the Branch's investments.

The Branch has not provided any financial or other support to the unconsolidated structured entities as at the reporting date, and there is no intention to provide support in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

15. PROPERTY, PLANT AND EQUIPMENT

in Brunei Dollars	Note	Computer Equipment	Building	Other Assets [1]	Total
Cost					
At 1 January 2022		406,822	890,000	762,695	2,059,517
Additions		52,479	-	-	52,479
Reclassification		(69,420)	-	69,420	-
Disposals/assets written off		(2,818)	-	(687,049)	(689,867)
At 31 December 2022		387,063	890,000	145,066	1,422,129
Additions		**56,876**	**-**	**228,597**	**285,473**
Disposals / assets written off		**(2,940)**	**-**	**(850)**	**(3,790)**
At 31 December 2023		**440,999**	**890,000**	**372,813**	**1,703,812**
Accumulated Depreciation					
At 1 January 2022		(169,476)	(160,200)	(752,423)	(1,082,099)
Depreciation charge for the year	5	(32,261)	(17,800)	(73,975)	(124,036)
Disposals/assets written off		-	-	687,049	687,049
At 31 December 2022		(201,737)	(178,000)	(139,349)	(519,086)
Depreciation charge for the year	5	**(51,659)**	**(17,800)**	**(32,867)**	**(102,326)**
Disposals/assets written off		**2,940**	**-**	**850**	**3,790**
At 31 December 2023		**(250,456)**	**(195,800)**	**(171,366)**	**(617,622)**
Net Book Value					
At 31 December 2022		185,326	712,000	5,717	903,043
At 31 December 2023		**190,543**	**694,200**	**201,447**	**1,086,190**

[1] Other assets include office furniture, fittings and equipment

NOTES TO THE FINANCIAL STATEMENTS

16. AMOUNT DUE TO/FROM HEAD OFFICE

The amount due to/from Head Office is non-trade related, unsecured, interest-free, repayable on demand and is to be settled in cash.

17. RELATED PARTY TRANSACTIONS

The Branch enters into transactions with its related parties in the normal course of business.

17.1 Significant related party transactions

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

in Brunei Dollars	**2023**	2022
Other expenses paid to:		
- Head office	**486,349**	446,757

17.2 Balance sheet balances with related parties

Balance sheet balances with related parties as at 31 December are as follows:

in Brunei Dollars	**2023**	2022
Cash and cash equivalents held with:		
- Ultimate holding company	**436,638**	6,135,242
Amount due to/(from) Head Office	**1,540,136**	(1,805,948)

Outstanding balances at balance sheet date are unsecured and interest free. Settlement will take place in cash.

There was no provision for doubtful debts at the balance sheet date and no bad debt expense for the year (2022: Nil).

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES

Governance framework

Managing risk is an integral part of the Branch's core business. As stated in the Enterprise Risk Management ("ERM") Framework, the Branch shall:

- Operate within parameters and limits that are calibrated to the risk appetite approved by the Board, and
- Pursue appropriate risk-adjusted returns.

Head Office and its subsidiaries are collectively known as the "Group". The Group Risk Management department spearheads the development and implementation of the ERM Framework for the Branch.

The Board is responsible for overseeing the Branch's risk management initiatives. The Board may delegate this responsibility to the Risk Management Committee ("RMC") and Senior Management for the execution of these initiatives. At the Branch level, detailed risk management and oversight activities are undertaken by the following Group Management committees, all of which are chaired by the Group Chief Executive Officer and comprise key Senior Management Executives:

- Group Management Committee ("GMC")
- Group Asset-Liability Committee ("Group ALC")
- Group Investment Committee ("Group IC")
- Group Product Management and Approval Committee ("Group PMAC")
- Group Technology Strategy Committee ("Group TSC")

GMC is responsible for providing leadership, direction and functional oversight on all matters of the Branch. In addition to complying with regulatory requirements, the GMC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. The GMC is supported by the Branch IC, Group ALC, Group PMAC, Group TSC, Local Senior Management Team("SMT"), Local ALC, Local Product Development Committee("PDC") and Local IT Steering Committee ("ITSC").

Group IC is responsible for overseeing all investment management activities of the Branch and ensuring that the interests and rights of policyholders are not compromised.

Group ALC is responsible for Balance Sheet management. Specifically, Group ALC reviews and formulates frameworks, policies, processes and methodologies relating to Balance Sheet management. Group ALC is supported by the Local ALC.

Group TSC is responsible for assisting GMC in providing the overall strategic direction and approval of all IT related issues and initiatives, including the digitalisation and transformation programs to support the Branch's strategic growth into the future. Group TSC is supported by Local ITSC.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Governance framework (continued)

Group PMAC is responsible for reviewing, approving and managing new and existing products, ensuring the business operates within the risk appetite in delivering the annual business targets. Local PDC is responsible for reviewing and endorsing new products at the local operating subsidiaries.

Regulatory framework

As set out in its Compliance Risk Management Framework, the Branch operates its business on a sound and responsible basis, which entails compliance with the applicable laws, regulations, rules and standards.

The Branch is required to comply with the Insurance Order, 2006 and Regulations as applicable, including guidelines on investment limits. The responsibility for the formulation, establishment and approval of the policy for the investment of the funds rests with the Board of Directors ("Board"). The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

The objectives of the Branch's capital management policy are to create shareholder value, deliver sustainable returns to shareholders, maintain a strong capital position with sufficient buffer to meet policyholders' obligations and regulatory requirements and make strategic investments for business growth.

The Branch had no significant changes in the policies and processes relating to its capital structure during the year.

The following sections provide details of the Branch's exposure to insurance and key financial risks, as well as the objectives, policies and processes for managing these risks.

There has been no change to the Branch's exposure to these insurance and key financial risks or the manner in which it manages and measures the risks.

Insurance Risk

The principal activity of the Branch is the provision of insurance products and related financial advisory services. The products cover risks such as mortality, morbidity (health, disability, critical illness, personal accident), investment saving protection and wealth accumulation guarantees.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

The Branch's underwriting strategy is designed to ensure that these risks are well diversified across the types of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure that pricing takes into account current health conditions and family medical history, regular review of actual claims experience, as well as detailed claims handling procedures. Underwriting limits are also established to enforce appropriate risk selection criteria. For example, the Branch has the right to reject renewal of insurance policy, impose deductibles and reject payment of fraudulent claims.

Risks inherent in the Branch's activities include but are not limited to the following:

Insurance Risks of Life Insurance Contracts

Insurance risks arise when the Branch underwrites insurance contracts. The types of risks insured, assumptions used in pricing the insurance products and subsequent setting of provisions may give rise to potential shortfalls in provision for future claims and expenses when actual claims experience are worse than projections. Assumptions that may cause insurance risks to be underestimated include assumptions on policy lapses, mortality, morbidity and expenses.

The Branch utilises reinsurance to manage the mortality and morbidity risks. The Branch's reinsurance management strategy and policy are reviewed annually by RMC and Group ALC. Reinsurance is structured according to the type of risk insured. Catastrophe reinsurance is procured to limit catastrophic losses. The Branch's exposure to group insurance business is not significant and there is no material concentration risk.

In general, reinsurance business will only be given to reinsurers with a minimum credit rating of S&P A- or equivalent. The Branch limits its risk to any one reinsurer by ceding different products to different reinsurers or to a panel of reinsurers.

Group ALC reviews the actual experience of mortality, morbidity, lapses and surrenders, and expenses and ensures that the policies, guidelines and limits established for managing the risks remain adequate and appropriate.

A substantial portion of the Branch's life assurance funds is participating in nature. In the event of volatile investment climate and/or unusual claims experience, the insurer has the option of revising the bonus payable to policyholders.

For non-participating funds, the risk is that the guaranteed policy benefits must be met even when investment portfolios perform below expectations, or claims experience is higher than expected.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

Insurance Risks of Life Insurance Contracts (continued)

Stress testing is performed at least once a year to assess the solvency of the life fund under various stress scenarios. The stress scenarios include regulatory prescribed scenarios, as well as scenarios depicting drastic changes in key parameters such as new business volume, market volatilities, expense patterns, mortality/morbidity patterns and lapse rates.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

TABLE 18(A): The table below sets out the concentration of the insurance contract liabilities by distribution of various life insurance risk as at the balance sheet date:

in Brunei Dollars	Gross	Reinsurance	Net
2023			
Whole life	**222,905,894**	**136,536**	**223,042,430**
Endowment	**114,628,366**	**-**	**114,628,366**
Term	**619,901**	**(425,806)**	**194,095**
Total	**338,154,161**	**(289,270)**	**337,864,891**
2022 (restated)			
Whole life	205,445,641	78,611	205,524,252
Endowment	100,736,328	-	100,736,328
Term	14,736	(547,056)	(532,320)
Total	306,196,705	(468,445)	305,728,260

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

The sensitivity analysis below shows the impact of changes in key parameters on the value of insurance contract liabilities, and hence on the Statement of Profit or Loss and Other Comprehensive Income.

Sensitivity analysis produced is based on parameters set out as follows:

	Change in assumptions
Scenario 1 – Mortality and Major Illness	+ 25% for all future years
Scenario 2 – Mortality and Major Illness	- 25% for all future years
Scenario 3 – Health and Disability	+ 25% for all future years
Scenario 4 – Health and Disability	- 25% for all future years
Scenario 5 – Lapse and Surrender rates	+ 25% for all future years
Scenario 6 – Lapse and Surrender rates	- 25% for all future years
Scenario 7 – Expenses	+ 30% for all future years

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

TABLE 18(B): Profit/(Loss) After Tax and Head Office Account Sensitivity:

Impact on 1-year's Profit/(Loss) After Tax and Head Office Account:

	Impact on Profit/(loss) After Tax			Impact on Head Office Account		
in Brunei Dollars	Gross Impact	Reinsurance Ceded	Net Impact	Gross Impact	Reinsurance Ceded	Net Impact
2023						
Scenario 1	(1,156,836)	727,726	(429,110)	(1,182,054)	739,319	(442,735)
Scenario 2	155,025	(101,479)	53,546	183,004	(114,740)	68,264
Scenario 3	(115,597)	10,430	(105,167)	(114,778)	9,975	(104,803)
Scenario 4	106,550	(11,367)	95,183	105,865	(10,912)	94,953
Scenario 5	104,790	(69,131)	35,659	120,288	(70,678)	49,610
Scenario 6	(189,155)	129,040	(60,115)	(207,942)	130,919	(77,023)
Scenario 7	(162,209)	105,310	(56,899)	(162,481)	105,310	(57,171)

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

TABLE 18(B): Profit/(Loss) After Tax and Head Office Account Sensitivity (continued):

Impact on 1-year's Profit/(Loss) After Tax and Head Office Account (continued):

	Impact on Profit/(loss) After Tax			Impact on Head Office Account		
in Brunei Dollars	Gross Impact	Reinsurance Ceded	Net Impact	Gross Impact	Reinsurance Ceded	Net Impact
2022 (restated)						
Scenario 1	(828,723)	481,478	(347,245)	(854,697)	499,974	(354,723)
Scenario 2	(19)	4	(15)	29,844	(21,510)	8,334
Scenario 3	(87,095)	338	(86,757)	(85,937)	(167)	(86,104)
Scenario 4	83,578	(117)	83,461	82,428	387	82,815
Scenario 5	203	(4)	199	39,950	(3,848)	36,102
Scenario 6	(55,187)	34,115	(21,072)	(106,300)	39,145	(67,155)
Scenario 7	(29,626)	14,596	(15,030)	(28,235)	14,596	(13,639)

The above tables demonstrate the sensitivity of the Branch's profit or loss after tax and head office account to a change in actuarial valuation assumptions on an individual basis with all other variables held constant.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk

Market risk arises when market values of assets and liabilities are adversely affected by changes in financial markets. Changes in interest rates, foreign exchange rates, equity prices and prices of alternative investment assets can impact present and future earnings of the insurance operations.

The Branch is exposed to market risk through its investment portfolios, as well as in the mismatches between assets and liabilities of the Insurance Funds.

Group ALC, Group IC and Local ALCs actively manage market risks through the setting of investment policies and asset allocations, approving portfolio construction, risk measurement methodologies, as well as hedging and alternative risk transfer strategies. Investment limits are monitored at various levels to ensure that all investment activities are conducted within the Branch's risk appetite and in line with the Branch's risk management principles and philosophies. Compliance with established limits forms an integral part of the risk governance and financial reporting framework. The approach adopted by the Branch in managing the various types of risk, including interest rate risk, foreign exchange risk, equity price risk, credit risk, alternative investment risk and liquidity risk, is briefly described below:

(a) ***Interest rate risk (including asset liability mismatch).*** The Branch is exposed to interest rate risk through (i) investments in fixed income instruments and (ii) insurance contract liabilities. Given the long duration of insurance contract liabilities and the uncertainties in the cash flows of the Branch, it is not possible to hold assets with duration that perfectly matches the duration of the insurance contract liabilities. This results in interest rate risk and asset liability mismatch risk, and these risks are managed and monitored by Group ALC and Local ALCs.

Where the liabilities of the portfolios are predominantly measured using the VFA and the backing assets are measured using the FVTPL, the changes in liabilities due to interest rates are expected to closely match the changes in assets.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBOR) with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Branch does not have any exposure to IBORs on its financial instruments that will be reformed as part of this market-wide initiative.

(b) ***Foreign exchange risk.*** The foreign exchange risk inherent in foreign currency fixed income portfolio is typically hedged using currency forwards and swaps wherever practical and cost-effective.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(b) Foreign exchange risk (continued)

TABLE 18(C): The tables below show the foreign exchange position of the Branch's financial and insurance-related assets and liabilities by major currencies:

in Brunei Dollars	BND	SGD	USD	Others	Total
As at 31 December 2023					
FINANCIAL AND INSURANCE-RELATED ASSETS					
Financial assets at FVTPL					
Debt securities	-	185,164,411	9,987,106	9,187,214	204,338,731
Other investments	-	-	86,867,701	30,161,639	117,029,340
Derivative financial assets	-	22,428,578	(16,997,157)	(3,754,088)	1,677,333
Other debtors	1,007,230	1,633,809	307,213	53,549	3,001,801
Cash and cash equivalents	15,560,389	22,719,118	3,053,726	1,445,431	42,778,664
Reinsurance contract assets	429,796	-	-	-	429,796
Insurance contract assets	1,135,210	(59,689)	-	-	1,075,521
	18,132,625	231,886,227	83,218,589	37,093,745	370,331,186
FINANCIAL AND INSURANCE-RELATED LIABILITIES					
Other creditors	1,407,082	958,445	459,335	-	2,824,862
Derivative financial liabilities	-	(7,560,938)	(4,771,122)	12,523,964	191,904
Amount due to Head Office	1,540,136	-	-	-	1,540,136
Reinsurance contract liabilities	140,526	-	-	-	140,526
Insurance contract liabilities	325,315,188	13,914,494	-	-	339,229,682
	328,402,932	7,312,001	(4,311,787)	12,523,964	343,927,110

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(b) Foreign exchange risk (continued)

TABLE 18(C): The tables below show the foreign exchange position cf the Branch's financial and insurance-related assets and liabilities by major currencies (continued):

in Brunei Dollars	BND	SGD	USD	Others	Total
As at 31 December 2022 (restated)					
FINANCIAL AND INSURANCE-RELATED ASSETS					
Financial assets at FVTPL					
Debt securities	-	180,302,319	6,845,489	7,935,946	195,083,754
Other investments	-	-	74,006,429	22,733,347	96,739,776
Derivative financial assets	-	7,946,329	(7,478,983)	-	467,346
Reinsurance contract assets	547,056	-	-	-	547,056
Insurance contract assets	1,488,708	(68,369)	-	-	1,420,339
Amount due from Head office	1,805,948	-	-	-	1,805,948
Other debtors	1,522,237	1,697,293	20,563	22,611	3,262,704
Cash and cash equivalents	9,870,157	27,117,047	1,655,920	377,102	39,020,226
	15,234,106	216,994,619	75,049,418	31,069,006	338,347,149
FINANCIAL AND INSURANCE-RELATED LIABILITIES					
Other creditors	1,293,837	1,160,200	-	-	2,454,037
Derivative financial liabilities	-	(3,471,630)	(2,753,230)	6,885,270	660,410
Reinsurance contract liabilities	78,611	-	-	-	78,611
Insurance contract liabilities	297,515,602	10,101,442	-	-	307,617,044
	298,888,050	7,790,012	(2,753,230)	6,885,270	310,810,102

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(c) ***Equity price risk.*** Exposure to equity price risk exists in investment assets through direct equity investment, where the Branch, through investments, bears all or most of the equity volatility and investment risks. Limits are set for single security holdings as a percentage of total equity holdings.

(d) ***Credit spread risk.*** Exposure to credit spread risk exists in the Branch's bond investments. Credit spread is the difference between the quoted yields of a credit and a government bond of the same maturity. Credit spreads widen when the default risk of credit bonds increases. Hence, widening credit spreads will result in mark-to-market losses in the Branch's bond portfolio.

(e) ***Alternative investment risk.*** The Branch is exposed to alternative investment risk through investments in hedge funds. A monitoring process is established to manage foreign exchange, country and manager concentration risks. This process and the acquisition or divestment of alternative investments are reviewed and approved by RMC and Group IC.

(f) ***Commodity risk.*** The Branch does not have any exposure to commodity risk.

(g) ***Liquidity risk.*** Liquidity risk arises when the Branch is unable to meet its cash flow demands, or if the assets backing the liabilities cannot be sold quickly enough without incurring significant losses. For an insurance Branch, the greatest liquidity needs typically arise from its insurance liabilities. Demands for funds can usually be met through ongoing normal operations via premiums received, sale of assets or borrowings. Unexpected demands for liquidity may be triggered by surrender of insurance policies due to negative publicity, deterioration of the economy, adverse news on other companies in the same or similar lines of business, unanticipated policy claims, or other unexpected cash demands from policyholders.

Expected liquidity demands are managed through a combination of treasury, investment and asset-liability management practices, which are monitored on an ongoing basis. Actual and projected cash inflows and outflows are regularly monitored, and a reasonable amount of liquid assets are maintained at all times. The projected cash flows from the in-force insurance policy contract liabilities consist of renewal premiums, commissions, claims, maturities and surrenders. Renewal premiums, commissions, claims and maturities are generally stable and predictable. Surrenders can be more uncertain, although these have been quite stable over the past several years.

Unexpected liquidity demands are mitigated through product design, risk diversification, investment strategies and systematic monitoring. Surrender penalty in insurance contracts also protects the Branch from losses due to unexpected surrender trends and reduces the sensitivity of surrenders to changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(g) Liquidity risk (continued)

Maturity Profile

TABLE 18(D): The following tables show the expected recovery or settlement of the Branch's financial assets and maturity profile of the Branch's financial liabilities which are presented based on a contractual undiscounted cash flow basis.

in Brunei Dollars	Carrying Amount	< 1 Year	1 - 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2023						
FINANCIAL ASSETS						
Financial assets at FVTPL						
Debt securities	204,338,731	7,433,275	26,608,554	259,574,713	7,723,543	301,340,085
Other investments	117,029,340	-	-	-	117,029,340	117,029,340
Other debtors	3,001,801	1,998,551	-	-	1,003,250	3,001,801
Derivative financial assets	1,677,333	825,948	658,276	193,109	-	1,677,333
Cash and cash equivalents	42,778,664	42,778,664	-	-	-	42,778,664
	368,825,869	53,036,438	27,266,830	259,767,822	125,756,133	465,827,223
FINANCIAL LIABILITIES						
Other creditors	2,824,862	2,824,862	-	-	-	2,824,862
Derivative financial liabilities	191,904	191,904	-	-	-	191,904
Amount due to Head Office	1,540,136	1,540,136	-	-	-	1,540,136
	4,556,902	4,556,902	-	-	-	4,556,902

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(g) Liquidity risk (continued)

Maturity Profile (continued)

TABLE 18(D): The following tables show the expected recovery or settlement of the Branch's financial assets and maturity profile of the Branch's financial liabilities which are presented based on a contractual undiscounted cash flow basis (continued).

in Brunei Dollars	Carrying Amount	< 1 Year	1 - 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2022 (restated)						
FINANCIAL ASSETS						
Financial assets at FVTPL						
Debt securities	195,083,754	2,211,277	30,117,280	259,825,290	-	292,153,847
Other investments	96,739,776	-	-	-	96,739,776	96,739,776
Amount due from Head office	1,805,948	1,805,948	-	-	-	1,805,948
Other debtors	3,262,704	2,259,454	-	-	1,003,250	3,262,704
Derivative financial assets	467,346	317,961	149,385	-	-	467,346
Cash and cash equivalents	39,020,226	39,020,226	-	-	-	39,020,226
	336,379,754	45,614,866	30,266,665	259,825,290	97,743,026	433,449,847
FINANCIAL LIABILITIES						
Other creditors	2,454,037	2,454,037	-	-	-	2,454,037
Derivative financial liabilities	660,410	660,410	-	-	-	660,410
	3,114,447	3,114,447	-	-	-	3,114,447

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(g) Liquidity risk (continued)

Maturity Profile for insurance and reinsurance contract liabilities

TABLE 18(E): The following tables show the maturity profile of insurance contracts issued and reinsurance contracts held that are liabilities of the Branch based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented.

in Brunei Dollars	**Up to 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**>5 years**	**Total**
As at 31 December 2023							
Insurance contract liabilities	**(8,581,663)**	**(986,205)**	**1,214,087**	**2,884,053**	**5,905,464**	**335,995,400**	**336,431,136**
Reinsurance contract liabilities held	**121,243**	**720**	**755**	**511**	**638**	**16,659**	**140,526**
	(8,460,420)	**(985,485)**	**1,214,842**	**2,884,564**	**5,906,102**	**336,012,059**	**336,571,662**

in Brunei Dollars	Up to 1 year	1-2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
As at 31 December 2022 (restated)							
Insurance contract liabilities	(5,238,843)	(5,323,596)	(739,048)	994,552	2,576,691	312,210,812	304,480,568
Reinsurance contract liabilities held	59,520	1,223	341	571	241	16,715	78,611
	(5,179,323)	(5,322,373)	(738,707)	995,123	2,576,932	312,227,527	304,559,179

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(g) Liquidity risk (continued)

Current/non-current classification of assets and liabilities

TABLE 18(F): The following tables show the current/non-current classification of assets and liabilities:

in Brunei Dollars	Current*	Non-Current	Total
As at 31 December 2023			
ASSETS			
Cash and cash equivalents	42,778,664	-	42,778,664
Other debtors	2,046,676	1,003,250	3,049,926
Investments	7,225,029	314,143,042	321,368,071
Derivative financial assets	825,948	851,385	1,677,333
Reinsurance contract assets	(107,588)	537,384	429,796
Insurance contract assets	2,607,022	(1,531,501)	1,075,521
Property, plant and equipment	102,326	983,864	1,086,190
	55,478,077	315,987,424	371,465,501
LIABILITIES			
Other creditors	2,837,895	-	2,837,895
Income tax payable	1,642,491	-	1,642,491
Derivative financial liabilities	191,904	-	191,904
Amount due to Head Office	1,540,136	-	1,540,136
Reinsurance contract liabilities	121,243	19,283	140,526
Insurance contract liabilities	(8,354,525)	347,584,207	339,229,682
	(2,020,856)	347,603,490	345,582,634

* Expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(g) Liquidity risk (continued)

TABLE 18(F): The following tables show the current/non-current classification of assets and liabilities (continued):

in Brunei Dollars	Current*	Non-Current	Total
As at 31 December 2022 (restated)			
ASSETS			
Cash and cash equivalents	39,020,226	-	39,020,226
Other debtors	2,269,454	1,003,250	3,272,704
Investments	2,161,546	289,661,984	291,823,530
Derivative financial assets	317,961	149,385	467,346
Reinsurance contract assets	(26,324)	573,380	547,056
Insurance contract assets	2,999,932	(1,579,593)	1,420,339
Amount due from Head office	1,805,948	-	1,805,948
Property, plant and equipment	124,036	779,007	903,043
	48,672,779	290,587,413	339,260,192
LIABILITIES			
Other creditors	2,513,020	-	2,513,020
Income tax payable	1,642,884	-	1,642,884
Derivative financial liabilities	660,410	-	660,410
Reinsurance contract liabilities	59,519	19,092	78,611
Insurance contract liabilities	(4,853,764)	312,470,808	307,617,044
	22,069	312,489,900	312,511,969

* Expected recovery or settlement within 12 months from the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(h) Credit risk. Credit risk is the risk of loss arising from an obligor failing to discharge an obligation. The Branch is mainly exposed to credit risk through (i) investments in cash and bonds, and (ii) exposure to counterparty's credit risk in derivative transactions and reinsurance contracts. For both types of exposures, financial loss may materialise as a result of a downgrading of credit rating or credit default by the borrower or counterparty.

The task of evaluating and monitoring credit risk is undertaken by the Branch ALC. The Branch establishes internal limits by issuer and counterparty according to their investment credit rating which are actively monitored to manage the credit and concentration risk and are reviewed on a regular basis. The creditworthiness of reinsurers is assessed on an annual basis by reviewing their financial strength through published credit ratings and other publicly available information.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is mitigated through counterparty limits that are reviewed and approved on an annual basis.

Credit risk arising from customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

There were no securities lending arrangements as at 31 December 2023 (31 December 2022: nil).

As at the balance sheet date, no investments (2022: nil) were placed as collateral for currency hedging purposes.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(h) Credit risk (continued)

The following table sets out the credit analysis for financial assets and reinsurance contract assets measured at FVTPL and at amortised cost:

in Brunei Dollars	Investment Grade (BBB to AAA)	Non Investment Grade (C to BB)	Not Rated	Not subject to credit risk	Total
As at 31 December 2023					
Financial assets at FVTPL					
Debt securities	182,016,964	-	22,321,767	-	204,338,731
Other investments	-	-	-	117,029,340	117,029,340
Derivative financial assets	1,677,333	-	-	-	1,677,333
Reinsurance contract assets	429,796	-	-	-	429,796
Other debtors	-	-	3,049,926	-	3,049,926
Cash and cash equivalents	42,778,664	-	-	-	42,778,664
	226,902,757	-	25,371,693	117,029,340	369,303,790

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(h) Credit risk (continued)

The following table sets out the credit analysis for financial assets and reinsurance contract assets measured at FVTPL and at amortised cost (continued):

in Brunei Dollars	Investment Grade (BBB to AAA)	Non Investment Grade (C to BB)	Not Rated	Not subject to credit risk	Total
As at 31 December 2022 (restated)					
Financial assets at FVTPL					
Debt securities	172,580,559	-	22,503,195	-	195,083,754
Other investments	-	-	-	96,739,776	96,739,776
Derivative financial assets	461,635	-	5,711	-	467,346
Reinsurance contract assets	547,056	-	-	-	547,056
Other debtors	-	-	3,272,704	-	3,272,704
Cash and cash equivalents	39,020,226	-	-	-	39,020,226
	212,609,476	-	25,781,610	96,739,776	335,130,862

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(i) Concentration risk. An important element of managing Market, Credit and Liquidity risks is to actively manage concentration to specific issuers, counterparties, industry sectors, countries and currencies. Both internal and regulatory limits are put in place to manage concentration risk. These limits are reviewed on a regular basis by the respective management committees. The Branch's exposures are within the concentration limits set by the regulator.

The Branch actively manages its product mix to ensure that there is no significant concentration in Market, Credit and Liquidity risk.

(j) Sensitivity analysis on financial risks. The sensitivity analysis below shows the impact on the Branch's net profit after tax by applying possible shocks to each key variables, with all other variables constant. Co-movement of key variables can significantly affect the fair values and/or amortised cost of financial assets. To demonstrate the impact due to changes in each key variable, the variables are changed individually.

The impact on net profit after tax represents the effect caused by changes in fair value of financial assets whose fair values are recorded in the Profit or Loss Statement, and changes in valuation of insurance and reinsurance contract liabilities/assets. The Head Office Account sensitivity represents the impact on net profit after tax and the effect on changes in fair value of financial assets measured at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market, Credit and Liquidity Risk (continued)

(j) Sensitivity analysis on financial risks (continued)

Market risk sensitivity analysis:

	Impact on Profit After Tax						Impact on Head Office Account					
	2023			2022 (restated)			2023			2022 (restated)		
in Brunei Dollars	**Financial assets**	**Insurance & reinsurance contracts**	**Total**	Financial assets	Insurance & reinsurance contracts	Total	**Financial assets**	**Insurance & reinsurance contracts**	**Total**	Financial assets	Insurance & reinsurance contracts	Total
Change in variables												
(a) Interest Rate												
+ 100 basis points	**(14,845,549)**	**14,845,549**	**-**	(10,738,635)	10,738,635	-	**(14,845,549)**	**15,067,633**	**222,084**	(10,738,635)	10,880,322	141,687
- 100 basis points	**17,418,187**	**(17,418,187)**	**-**	12,365,612	(12,365,612)	-	**17,418,187**	**(17,715,868)**	**(297,681)**	12,365,612	(12,560,690)	(195,078)
(b) Equity												
20% increase in market indices:												
- STI	**1,089,591**	**(1,089,591)**	**-**	716,136	(716,136)	-	**1,089,591**	**(1,089,591)**	**-**	716,136	(716,136)	-
20% decrease in market indices:												
- STI	**(1,089,593)**	**1,089,593**	**-**	(716,131)	716,131	-	**(1,089,593)**	**1,089,593**	**-**	(716,131)	716,131	-
(c) Credit												
Spread + 100 basis points	**(5,624,656)**	**5,624,656**	**-**	(4,455,945)	4,455,945	-	**(5,624,656)**	**5,572,075**	**(52,581)**	(4,455,945)	4,402,712	(53,233)
Spread - 100 basis points	**6,625,900**	**(6,625,900)**	**-**	4,986,418	(4,986,418)	-	**6,625,900**	**(6,575,024)**	**50,876**	4,986,418	(4,935,058)	51,360
(d) Alternative Investments[1]												
10% increase in market value of all alternative investments	**3,445,469**	**(3,445,469)**	**-**	2,148,402	(2,148,402)	-	**3,445,469**	**(3,445,469)**	**-**	2,148,402	(2,148,402)	-
10% increase in market value of all alternative investments	**(3,445,470)**	**3,445,470**	**-**	(2,148,401)	2,148,401	-	**(3,445,470)**	**3,445,470**	**-**	(2,148,401)	2,148,401	-

The above table demonstrates the sensitivity of the Branch's profit or loss after tax and head office account to a change in the specified variable on an individual basis with all other variables held constant.

[1] Alternative Investments comprise investments in real estate, infrastructure and hedge funds.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational and Compliance Risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the organisation's objectives resulting from inadequate or failed internal processes and systems, human factors, or external events.

Compliance risk is any event or action that may potentially impact partly or completely the achievement of the organisation's objectives as a result of its failure to comply with applicable laws, regulations and standards:

- laws, regulations and rules governing licensed activities undertaken by the Branch;
- codes of practice promoted by industry associations; and
- any other applicable regulations which do not specifically govern the licensed activities undertaken by the Branch but can expose the organisation to legal, regulatory or reputational loss.

The day-to-day management of operational and compliance risk is through the maintenance of comprehensive internal control frameworks, supported by an infrastructure of systems and procedures to monitor processes and transactions. Issues are managed and monitored by the SMT. The Internal Audit team reviews the systems of internal controls to assess their ongoing relevance and effectiveness, and reports at least quarterly to the Audit Committee.

Technology, Information and Cyber Risks

Technology risk is defined as risk related to any potential adverse outcome, damage, loss, disruption, violation, system/hardware failure, capacity deficiency arising from the use of technologies such as electronic hardware/ devices, software, online networks and telecommunications systems.

Information risk is defined as risk related to confidentiality, integrity and availability of information (in physical or digital form).

Cyber risk is defined as risk related to acts perpetrated by malicious threat actors, including internal sabotage, espionage, malicious attacks, hacking incidents, fraudulent conduct using information and communication technologies.

The Branch adopts a risk-based approach in managing technology, risks relating to IT disruption, cyber threats, data loss and third parties. Key risk indicators related to technology, information and cyber risks are reported to the Board on a regular basis. Independent assessment is performed by Internal Audit for the adequacy and effectiveness of the technology risk controls.

NOTES TO THE FINANCIAL STATEMENTS

18. ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Sustainability Risk

Sustainability risk is defined as any environmental, social or governance ("ESG") event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment and enterprise value. The Branch has integrated ESG considerations into the investment and underwriting activities.

At present, the Branch manages social and governance-related risk through existing frameworks and policies. In order to build resilience as the world transits to a low-carbon economy, the Branch has formalised the Group Environmental Risk Management Policy which sets forth guiding principles and minimum standards in managing environmental risk within the Branch. Environmental risk arises from the potential adverse impact of changes in the environment on economic activities and human well-being. Environmental issues that are of concern include climate change, loss of biodiversity, pollution and changes in land use. Environmental risk can manifest in three dimensions of risk as follows:

- Physical risk – impact of weather events and long-term or widespread environmental changes. It arises from acute (event-driven) and chronic (long term shift) climate-related events that damage property, reduce productivity and disrupt trade.
- Transition risk – arises from the process of adjustment to an environmentally sustainable economy, including change in public policies, disruptive technological developments, and shifts in consumer and investor preferences.
- Liability risk – arises from legal risk and claims on damages and losses incurred from inaction or lack of action that results in the effects of physical and transition risks.

The Branch's risk assessment considers the financial and non-financial impacts from physical and transition risks arising from climate change. With this, the Branch organisation has put in place processes, methodology, and both qualitative and quantitative tools to identify and assess environmental risk for investment and underwriting portfolios.

For underwriting portfolio, risk transfer tool such as reinsurance is used to assist in managing environmental risk. For investment portfolio, the objective is to build resilient investment portfolios whilst striking a balance between ESG considerations, impact and financial returns.

NOTES TO THE FINANCIAL STATEMENTS

19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

19.1 Fair Value Hierarchy

The Branch categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Branch can access at the measurement date,

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly, quotes from brokers and market makers, cash flow discounting and other valuation techniques commonly used by market participants, and

Level 3 - Unobservable inputs for the asset or liability.

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

Transfers between levels of the fair value hierarchy

There have been no transfers of financial assets between levels during the financial years ended 31 December 2023 and 2022.

NOTES TO THE FINANCIAL STATEMENTS

19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

19.2 Assets and Liabilities Measured at Fair Value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting year:

	31 December 2023		
	Fair value measurements at the end of the reporting year using		
in Brunei Dollars	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Total
Financial assets			
Derivative financial assets			
Foreign exchange			
Forwards	-	361,076	361,076
Interest rates			
Swaps	-	851,385	851,385
Exchange traded futures	464,872	-	464,872
Financial assets at FVTPL			
Debt securities	196,126,956	8,211,775	204,338,731
Other investments			
Collective investment schemes	8,218,354	108,810,986	117,029,340
	204,810,182	118,235,222	323,045,404
Financial liabilities			
Derivative financial liabilities			
Foreign exchange			
Forwards	94	191,810	191,904
	94	191,810	191,904

NOTES TO THE FINANCIAL STATEMENTS

19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

19.2 Assets and Liabilities Measured at Fair Value (continued)

	31 December 2022 (restated)		
	Fair value measurements at the end of the reporting year using		
in Brunei Dollars	Quoted prices in active markets for identical assets and liabilities (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Total
Financial assets			
Derivative financial assets			
Foreign exchange			
Forwards	-	317,961	317,961
Interest rates			
Exchange traded futures	-	149,385	149,385
Financial assets at FVTPL			
Debt securities	192,110,607	2,973,147	195,083,754
Other investments			
Collective investment schemes	6,266,562	90,473,214	96,739,776
	198,377,169	93,913,707	292,290,876
Financial liabilities			
Derivative financial liabilities			
Foreign exchange			
Forwards	186	20,718	20,904
Interest rates			
Swaps	-	507,188	507,188
Exchange traded futures	132,318	-	132,318
	132,504	527,906	660,410

20 AUTHORISATION OF FINANCIAL STATEMENTS

Based on the Directors' Resolution in writing passed on 28 March 2024, the Board authorised these financial statements for issue and that two Directors of the Board, Mr Soon Tit Koon and Mr Leo Mun Wai, sign on behalf of the Board.