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 2020

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 2020, and its financial performance, changes in head office account 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.

What we have audited

The financial statements of the Branch comprise:

- the statement of profit or loss and other comprehensive income for the year ended 31 December 2020;
- the balance sheet as at 31 December 2020;
- the statement of changes in head office account for the year ended 31 December 2020;
- the statement of cash flows for the year ended 31 December 2020; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

Other Matter

The financial statements of the Branch as at and for the year ended 31 December 2019 were audited by another firm, who expressed an unmodified opinion on those statements on 18 February 2020.

Responsibilities of the 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 if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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.

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

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
22 February 2021

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December

in Brunei Dollars	Note	**2020**	2019
Income			
Gross premiums		**19,835,628**	17,804,392
Premiums ceded to reinsurers		**(259,155)**	(249,880)
Net premiums		**19,576,473**	17,554,512
Commissions (refunded) / received from reinsurers		**(131,289)**	17,416
Investment income, net	3	**4,614,220**	4,844,517
Gain on sale of investments and changes in fair value	4	**44,592,968**	28,114,431
Gain in exchange differences		**8**	9
		68,652,380	50,530,885
Less : **Expenses**			
Gross claims, surrenders and annuities		**12,953,734**	12,465,980
Claims, surrenders and annuities recovered from reinsurers		**(38,654)**	(274,931)
Commissions and distribution expenses		**2,050,636**	1,682,620
Management expenses		**1,495,689**	1,520,020
Depreciation	16	**65,461**	48,850
Change in life insurance contract liabilities	9	**31,282,900**	11,799,146
		47,809,766	27,241,685
Profit before income tax	5	**20,842,614**	23,289,200
Income tax	6	**(284,561)**	(248,070)
Profit after income tax and other comprehensive income after tax		**20,558,053**	23,041,130
Total comprehensive income for the year		**20,558,053**	23,041,130

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

BALANCE SHEET

As at 31 December

in Brunei Dollars	Note	**2020**	2019
LIABILITIES			
Insurance payables	8	**8,333,282**	8,214,881
Other creditors	7	**17,743,198**	3,201,192
Income tax payable		**1,258,008**	1,481,471
Derivative financial liabilities	13	**49,631**	54,776
Amount due to Head Office	18	**661,869**	2,374,840
Insurance contract liabilities	9	**228,584,979**	197,302,079
TOTAL LIABILITIES		**256,630,967**	212,629,239
ASSETS			
Cash and cash equivalents		**33,984,973**	18,747,302
Insurance receivables	11	**22,299,046**	22,131,237
Other debtors	10	**3,013,797**	3,041,779
Investments	14	**318,783,111**	270,261,013
Derivative financial assets	13	**55,268**	50,603
Property, plant and equipment	16	**966,005**	928,929
TOTAL ASSETS		**379,102,200**	315,160,863
NET ASSETS		**122,471,233**	102,531,624
Represented by:			
Unallocated surplus		**122,471,233**	102,531,624
		122,471,233	102,531,624

Mr Koh Beng Seng
Chairman

Mr Leo Mun Wai
Director

The accompanying significant 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	Note	Unallocated Surplus
Balance at 1 January 2020		**102,531,624**
Total comprehensive income for the year		**20,558,053**
Transfer to Head Office	17	**(618,444)**
Balance at 31 December 2020		**122,471,233**
Balance at 1 January 2019		79,920,548
Total comprehensive income for the year		23,041,130
Transfer to Head Office	17	(430,054)
Balance at 31 December 2019		102,531,624

The accompanying significant 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	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before income tax		**20,842,614**	23,289,200
Adjustments for non-cash items:			
Surplus transferred to Head Office but not yet remitted		**(618,444)**	(430,054)
Gain on sale of investments and changes in fair value	4	**(44,592,968)**	(28,114,431)
Unrealised (gain) / loss in exchange differences		**(4,588)**	158,707
Change in life insurance contract liabilities	9	**31,282,900**	11,799,146
Depreciation	16	**65,461**	48,850
Interest income	3	**(5,478,362)**	(5,682,212)
Dividend income	3	**(211,871)**	(120,233)
Interest expense on policy benefits	5	**201,892**	201,139
		1,486,634	1,150,112
Changes in working capital:			
Insurance receivables		**(167,809)**	(1,079,356)
Other debtors		**1,483**	8,349
Insurance payables		**118,401**	754,591
Other creditors		**14,542,006**	277,200
Amount due to Head Office		**(1,712,971)**	(5,444,387)
Cash generated from / (used in) operations		**14,267,744**	(4,333,491)
Interest paid on policy benefits		**(201,892)**	(201,139)
Income tax paid		**(508,024)**	(1,043,638)
Net cash flows generated from / (used in) operating activities		**13,557,828**	(5,578,268)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities and sales of investments		**63,126,616**	52,366,411
Purchase of investments		**(67,060,968)**	(54,215,000)
Purchase of property, plant and equipment	16	**(102,537)**	(75,554)
Interest income received		**5,504,861**	5,539,789
Dividend income received	3	**211,871**	120,233
Net cash flows from investing activities		**1,679,843**	3,735,879
Net increase / (decrease) in cash and cash equivalents		**15,237,671**	(1,842,389)
Cash and cash equivalents at the beginning of the year		**18,747,302**	20,589,691
Cash and cash equivalents at the end of the year		**33,984,973**	18,747,302
Cash and cash equivalents comprise:			
Cash and bank balances		**26,125,799**	11,522,640
Cash on deposit		**6,359,543**	6,225,407
Short term instruments		**1,499,631**	999,255
		33,984,973	18,747,302

The accompanying significant 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 SIGNIFICANT 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.

2.2 Changes in Accounting Policies

The Branch has adopted relevant the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2020.

2.2.1 New and revised standards

The Branch has applied the following amendments to IAS/IFRS for the first time for the annual financial periods beginning 1 January 2020.

IFRS	Title	Effective date (Annual periods beginning on)
Various	Amendments to References to the Conceptual Framework in IFRS 1 Amendments to illustrative examples, implementation guidance and IFRS 1 practice statements	1 January 2020
IAS 1, IAS 8	Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020

The adoption of these amendments did not have any material effect on the financial statements of the Branch.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.2 IAS/IFRS not yet effective

IFRS	Title	Effective date (Annual periods beginning on or after)
Various	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
IAS 16	Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
IAS 37	Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IFRS 17	Insurance Contracts	1 January 2023
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023

The Directors expect that the adoption of the new standards and amendments above will not have any material impact on the Branch's financial statements in the year of initial application, except as disclosed below.

IFRS 17 Insurance Contracts
IFRS 17 was issued in March 2018 as replacement for IFRS 4 Insurance Contracts. The International Accounting Standard Board has issued Amendments to IFRS 17 on 27 November 2020 to defer the effective date to annual reporting periods beginning on or after 1 January 2023.

It is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 requires a general model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The general model is supplemented by:

- a simplified approach (the premium allocation approach) mainly for short duration contracts; and
- a modification of the general measurement model (the variable fee approach) for contracts with direct participation features.

IFRS 17 is effective for annual periods beginning on or after 1 January 2023, with comparative figures required. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Branch plans to adopt IFRS 17 on the required effective date and a Project Steering Committee at the Head Office was formed to oversee the implementation of the standard. The Branch expects that IFRS 17 will result in an important change to the accounting policies for insurance contract liabilities of the Branch and is likely to have a significant impact on profit and unallocated surplus together with the Branch's financial statements' presentation and disclosures. The Brunei Darussalam Accounting Standards Council has not made any announcements related to the IASB's proposed deferral of IFRS 17.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Changes in Accounting Policies (continued)

2.2.2 IAS/IFRS not yet effective (continued)

Interest Rate Benchmark Reform ("IBOR") – Phase 2
The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 was issued in November 2020 by the ASC to address issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark rate with an alternative one.

The key reliefs provided by the Phase 2 amendments are as follows:

- Changes to contractual cash flow: When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes that are required by an interest rate benchmark reform (that is, are necessary as a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the Statement of Profit or Loss and Other Comprehensive Income.
- Hedge accounting: The hedge accounting reliefs will allow most IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

The amendments should be applied for annual periods beginning on or after 1 January 2021. The Branch is in the process of identifying the financial instruments that are affected, and working with the companies on making IBOR-related amendments to contracts.

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.

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 Contracts

2.4.1 Product Classification

Insurance contracts are those contracts where the Branch (the insurer) has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Branch determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Insurance Contracts (continued)

2.4.1 Product Classification (continued)

Insurance contracts are further classified as being either with or without discretionary participating features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- Likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer;
- That are contractually based on:
  - Performance of a specified pool of contracts or a specified type of contract
  - Realised and/or unrealised investment returns on a specified pool of assets held by the issuer, or
  - The profit or loss of the Branch that issues the contract.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded derivatives separately at fair value through the Statement of Profit or Loss and Other Comprehensive Income. However, bifurcation is not required if the embedded derivative is itself an insurance contract or if the host insurance contract itself is measured at fair value through the Statement of Profit or Loss and Other Comprehensive Income.

For the purpose of IFRS 4, the Branch adopts maximum policy benefits as the proxy for insurance risk and cash surrender value or discounted maturity value as the proxy for realisable value of the insurance contract. The Branch defines insurance risk to be significant when the ratio of the insurance risk over the deposit component is not less than 105% of the deposit component at inception of the insurance contract. Based on this definition, all policy contracts issued by the Branch are considered insurance contracts as at the Balance Sheet date.

The Branch writes insurance contracts in accordance with Insurance Order 2006.

2.4.2 Types of Insurance Contracts

Insurance contract liabilities are classified into principal components as follows:

(a) Life Insurance contract liabilities, comprising
- Participating Fund contract liabilities; and
- Non Participating Fund contract liabilities

(b) Reinsurance contracts

2.4.3 Life Insurance Contract Liabilities

Insurance contracts are recognised and measured in accordance with the terms and conditions of the respective contracts and are based on guidelines laid down by the Insurance Order 2006. Premiums, claims and benefit payments, acquisition and management expenses and valuation of future policy benefit payments or premium reserves as the case may be, are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The valuation of insurance contract liabilities is determined in accordance with Insurance Order 2006.

Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the gross premium valuation method. The liability is determined as the sum of the present value of future guaranteed and, where relevant, appropriate level of non-guaranteed benefits and expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate risk margin allowance for adverse deviation from expected experience is made in the valuation of non-participating life policies and the guaranteed benefit liabilities of participating life policies.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Insurance Contracts (continued)

2.4.3 Life Insurance Contract Liabilities (continued)

The liability in respect of a participating insurance contract is based on the higher of the guaranteed benefit liabilities or the total benefit liabilities at the contract level derived as stated above. Refer to Table 2.4 below for details.

In the case of life policies where part of, or all the premiums are accumulated in a fund, the accumulated amounts, as declared to policyholders are shown as liabilities if the accumulated amounts are higher than the amounts as calculated using the gross premium valuation method.

In the case of short-term life policies covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums and unexpired risks, together with provision for claims outstanding, including an estimate of the incurred claims that have not yet been reported to the Branch.

Adjustments to liabilities at each reporting date are recorded in the Statement of Profit or Loss and Other Comprehensive Income. Profits originating from the release in margins for adverse deviations are recognised in the Statement of Profit or Loss and Other Comprehensive Income over the lives of the contracts, whereas losses are fully recognised in the Statement of Profit or Loss and Other Comprehensive Income during the first year.

The Branch issues a variety of short and long duration insurance contracts which transfer risks from the policyholders to the Branch to protect policyholders from the consequences of insured events such as death, disability, illness, accident, including survival. These contracts may transfer both insurance and investment risk or insurance risk alone, from the policyholders to the Branch.

For non-participating policy contracts other than medical insurance policy contracts, the payout to policyholders upon the occurrence of the insured event is pre-determined and the transfer of risk is absolute. For medical insurance policy contracts, the payout is dependent on the actual medical costs incurred upon the occurrence of the insured event.

Participating contracts

A significant portion of insurance contracts issued by the Branch contain discretionary participating features. These contracts are classified as participating policies. In addition to guaranteed benefits payable upon insured events associated with human life such as death or disability, the contracts entitle the policyholder to receive benefits, which could vary according to investment performance of the fund. The Branch does not recognise the guaranteed components separately from the discretionary participating features.

Liability adequacy testing

The Branch is required by the Insurance Order 2006 and accounting standards to carry out a liability adequacy test using current estimates of future cash flows relating to its insurance contracts; the process is referred to as the gross premium valuation.

The liability adequacy test is applied to both the guaranteed benefits and the discretionary participating features; the assumptions are based on best estimates, the basis adopted is prescribed by the Insurance Order 2006. The Branch performs liability adequacy tests on its actuarial reserves to ensure that the carrying amount of provisions is sufficient to cover estimated future cash flows. When performing the liability adequacy test, the Branch discounts all contractual cash flows and compares this amount against the carrying value of the liability. Any deficiency is charged to the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Insurance Contracts (continued)

2.4.3 Life Insurance Contract Liabilities (continued)

TABLE 2.4 below provide the key underlying assumptions used for valuation of life insurance contract liabilities.

	BRUNEI
Valuation Method	For Participating Fund, the method that produces the higher reserves of: (i) Guaranteed and non-guaranteed cashflows discounted at the appropriate rate of return reflecting the strategic asset allocation; and (ii) Guaranteed cashflows discounted using the interest rate outlined below.
Discount Rate	For policies denominated in BND / SGD: (i) Singapore Government Securities for cash flows up to 20 years; (ii) Ultimate forward rate of 3.8% applicable for cash flows beyond 60 years; (iii) Extrapolated yields in between
Mortality, Disability, Dread disease, Expenses, Lapse and surrenders	Participating Fund: (i) Best estimates for Gross Premium Valuation method, (ii) Best estimates plus provision for adverse deviation (PAD) for Gross Premium Valuation method. *Data source: Internal experience studies*

2.4.4 Reinsurance Contracts

The Branch cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurers. These amounts are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the financial period. Impairment occurs when there is an objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Branch may not receive part or all of the outstanding amounts under the terms of the contract. The impairment loss is recorded in the Statement of Profit or Loss and Other Comprehensive Income. Gains or losses on reinsurance are recognised in the Statement of Profit or Loss and Other Comprehensive Income immediately at the date of contract and are not amortised. Ceded reinsurance arrangements do not relieve the Branch from its obligations to policyholders.

Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Profit from Insurance Fund

Profits to shareholders from the participating fund are allocated from the surplus or surplus capital, determined from the results of the annual actuarial valuation (such valuation also determines the liabilities relating to all the policyholders' benefits of the participating fund) parameters which are set out in the Insurance Order 2006. The provisions in the Articles of Association of the Head Office are applied in conjunction with the Insurance Order 2006, such that the distribution for any year to policyholders of the participating fund and shareholders approximate 90% and 10% respectively of total distribution from the participating fund. The annual declaration of the quantum of policyholder bonus and correspondingly the profits to shareholders to be distributed out of the participating fund is approved by the Board of Directors under the advice of the Appointed Actuary of the Branch, in accordance with the Insurance Order 2006 and the Articles of Association of the Head Office.

2.6 Recognition of Income and Expense

2.6.1 Premiums and Commissions

First year premiums of insurance policies are recognised from the inception date and subsequent renewal premiums are recognised when due. Single premiums are recognised on the dates on which the policies are effective. Commission is recognised as an expense when incurred.

2.6.2 Interest Income

Interest income is recognised using the effective interest rate method.

2.6.3 Dividend Income

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

2.6.4 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.

2.6.5 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 such indication exists, or when an annual impairment test for an asset is required, the Branch makes an estimate of the asset's recoverable amount.

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 on 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Recognition of Income and Expense (continued)

2.6.6 Impairment of Financial Assets

The Branch recognises loss allowances for expected credit losses ("ECL") on receivables measured at amortised cost. For insurance receivables, the Branch measures the loss allowance at an amount equal to the lifetime expected credit losses, except for financial instruments on which credit risk has not increased significantly since their initial recognition. 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.

The 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. Note 19 provides more details on how the expected loss allowance is measured.

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.

- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Recognition of Income and Expense (continued)

2.6.7 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.

2.7 Income Taxes

2.7.1 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 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 the applicable tax authority are subject to interpretation and establishes provisions where appropriate.

2.7.2 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.

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.

2.8 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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Policy Benefits

Policy benefits are recognised when the policyholder exercises the option to deposit the survival benefits with the Branch when the benefit falls due. Policy benefits are interest bearing at rates adjusted from time to time by the Branch. Interest payable on policy benefits is recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

2.10 Claims Admitted or Intimated

Full provision is made for the estimated cost of all life assurance claims notified but not settled at Balance Sheet date.

2.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short term, highly liquid investments with maturity of three months or less from the date of acquisition, or are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

2.12 Insurance Receivables

Insurance receivables are recognised when due. They are measured at initial recognition at the fair value received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. A loss allowance is measured at an amount equal to lifetime expected credit losses, with the impairment loss recognised in the Statement of Profit or Loss and Other Comprehensive Income. Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.13 have been met. The Branch's insurance receivables include outstanding premium, policy loan and reinsurance assets. Policy loans are loans and advances made to policyholders, and are collateralised by the underlying policies.

2.13 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 2.11), insurance receivable (Note 2.13) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial Assets (continued)

Subsequent measurement

2.13.1 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 rate method. Interest income, 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.

2.13.2 Equity Instruments

The Branch subsequently measures all equity instruments at fair value.
Changes in fair value of equity instruments at FVTPL are recognised in profit or loss.

2.13.3 Derivatives

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 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 and FVTPL, 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:

2.14.1 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.

2.14.2 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.

2.15 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.

2.16 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 based on market's perspective 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 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.

2.17 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 is computed on a straight line basis over estimated useful life of the assets 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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 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.

2.20 Events after the reporting period

Post year-end events that provide additional information about the Branch's financial position at reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

2.21 Critical Accounting Estimates and Judgments

In the preparation of the Branch's financial statements, management makes estimates, assumptions and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Estimates, assumptions and judgments are continually evaluated and based on internal studies of actual or 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.

2.21.1 Critical Accounting Estimates and Assumptions

(a) Liabilities of insurance business

The estimation of the ultimate liability arising from claims made under life insurance contracts is the Branch's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liabilities that the Branch will ultimately be required to pay as claims.

For life insurance contracts, estimates are made for future deaths, morbidity, lapses, voluntary terminations, investment returns and administration expenses and discount rates (note 2.4). The Branch relies on standard industry reinsurance of insurance contract liabilities and national mortality and morbidity tables which represent historical experience, and makes appropriate adjustments for its respective risk exposures and portfolio experience in deriving the mortality and morbidity estimates. These estimates provide the basis for the valuation of the future benefits to be paid to policyholders and to ensure adequate provisions which are monitored against current and future premiums. For those contracts that insure risk on longevity and disability, estimates are made based on recent past experience and emerging trends. Epidemics and changing patterns of lifestyle could result in significant changes to the expected future exposures. Each year, these estimates are assessed for adequacy and changes will be reflected as adjustments to Life Insurance contract liabilities. The carrying value of Life Insurance contract liabilities as at 31 December 2020 amounted to $228,584,979 (2019: $197,302,079).

NOTES TO THE FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Critical Accounting Estimates and Judgments (continued)

(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. The carrying amount of the income tax payable as at 31 December 2020 amounted to $1,258,008 (2019: $1,481,471).

(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. For details of the key assumptions and inputs used, see Note 19(h).

(d) Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the policyholder to the Branch. The Branch exercises judgment about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether the Branch is required to pay significant additional benefits in excess of amounts payable if the insured event did not occur. These additional benefits include claims liability and assessment costs, but exclude the loss of the ability to charge the policyholder for future services. The assessment covers the whole of the expected term of the contract where such additional benefits could be payable. Some contracts contain options for the policyholder to purchase insurance risk protection at a later date; these insurance risks are deemed not significant.

NOTES TO THE FINANCIAL STATEMENTS

in Brunei Dollars	2020	2019
3 INVESTMENT INCOME, NET		
Dividend income:		
- Investments		
Financial assets mandatorily measured at FVTPL	**211,871**	120,233
	211,871	120,233
Interest income:		
- Investments		
Financial assets designated as at FVTPL	**4,191,241**	4,431,253
- Loans and receivables at amortised cost	**1,287,121**	1,250,959
	5,478,362	5,682,212
	5,690,233	5,802,445
less : Investment related expenses	**1,076,013**	957,928
	4,614,220	4,844,517
4 GAIN ON SALE OF INVESTMENTS AND CHANGES IN FAIR VALUE		
Changes in fair value of investments		
- mandatorily measured at FVTPL	**28,957,551**	20,938,395
- designated as at FVTPL	**15,635,417**	7,176,036
	44,592,968	28,114,431
5 ADDITIONAL PROFIT OR LOSS DISCLOSURES		
Staff costs and related expenses		
Salaries, wages, bonuses and other costs	**491,412**	620,783
Employee Provident Fund	**26,637**	25,711
	518,049	646,494
Interest expense on policy benefits	**201,892**	201,139

in Brunei Dollars	2020	2019

6 INCOME TAX

Major components of income tax expense

The major component of income tax expense for the years ended 31 December 2020 and 2019 is:

Current income taxation	**284,561**	248,070
Total tax expense recognised for the year	**284,561**	248,070

Relationship between income tax expense and accounting loss

The reconciliation between income tax expense and the product of accounting profit / (loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 is as follows:

Profit before income tax	**20,842,614**	23,289,200
Tax at statutory rate of 18.5% (2019: 18.5%)	**3,855,884**	4,308,502
Adjustments:		
Foreign tax paid not recoverable	**284,561**	248,070
Effect of being taxed on a different basis	**(3,855,884)**	(4,308,502)
Income tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income	**284,561**	248,070

7 OTHER CREDITORS

Financial Liabilities:		
Accrued expenses	**1,639,401**	1,376,949
Investment creditors	**8,941,205**	347,588
Other creditors	**7,092,060**	1,406,850
	17,672,666	3,131,387
Non-Financial Liabilities:		
Premiums in suspense	**70,532**	69,805
	17,743,198	3,201,192

8 INSURANCE PAYABLES

Claims admitted or intimated	**1,292,729**	1,148,485
Policy benefits	**6,897,774**	7,009,520
Reinsurance liabilities	**142,779**	56,876
	8,333,282	8,214,881

Policy benefits bear interest at 3% per annum (2019: 3% per annum).

NOTES TO THE FINANCIAL STATEMENTS

in Brunei Dollars	Note	2020	2019
9 INSURANCE CONTRACT LIABILITIES			
Balance at the beginning of the year		**197,302,079**	185,502,933
Change in life insurance contract liabilities			
- Due to assumptions change		**20,560,556**	1,504,732
- Due to change in discount rate		**2,271,130**	460,873
- Due to movement during the year		**8,451,214**	9,833,541
		31,282,900	11,799,146
Balance at the end of the year		**228,584,979**	197,302,079

Life insurance contract liabilities at 31 December comprised the following:

Contracts with Discretionary Participating Features ("DPF")		**213,379,398**	185,634,225
Contracts without Discretionary Participating Features ("DPF")		**15,205,581**	11,667,854
		228,584,979	197,302,079

10 OTHER DEBTORS			
Financial Assets:			
Accrued interest receivable		**1,649,045**	1,675,544
Investment debtors		**350,189**	350,189
Deposit collected		**1,003,250**	1,003,250
Other debtors		**1,313**	2,796
	12	**3,003,797**	3,031,779
Non-Financial Assets:			
Prepayments		**10,000**	10,000
		3,013,797	3,041,779

11 INSURANCE RECEIVABLES			
Due from policyholders:			
Outstanding premiums		**936,308**	987,115
Policy loans		**21,314,852**	20,947,232
Reinsurance assets		**47,886**	196,890
	12	**22,299,046**	22,131,237

NOTES TO THE FINANCIAL STATEMENTS

in Brunei Dollars	Note	2020	2019
12 LOANS AND RECEIVABLES AT AMORTISED COST			
Cash and cash equivalents		**33,984,973**	18,747,302
Insurance receivables	11	**22,299,046**	22,131,237
Other debtors	10	**3,003,797**	3,031,779
Total loans and receivables at amortised cost		**59,287,816**	43,910,318

13 DERIVATIVE FINANCIAL INSTRUMENTS

in Brunei Dollars		Notional Principal 2020	Derivative Financial Assets 2020	Derivative Financial Liabilities 2020	Notional Principal 2019	Derivative Financial Assets 2019	Derivative Financial Liabilities 2019
Derivatives							
Foreign exchange:	**Forwards**	**6,848,419**	**55,268**	-	8,703,921	50,603	-
Interest rates:	**Exchange traded futures**	**6,579,804**	-	**49,631**	5,690,001	-	54,776
		13,428,223	**55,268**	**49,631**	14,393,922	50,603	54,776

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.

	2020	2019
14 INVESTMENTS		
Mandatorily measured at FVPTL		
Collective investment schemes [(1)]	**132,868,676**	110,895,849
Total financial assets mandatorily measured at FVTPL	**132,868,676**	110,895,849
Designated as at FVTPL		
Debt securities		
(i) Quoted debt securities	**177,040,846**	153,740,942
(ii) Unquoted debt securities	**8,873,589**	5,624,222
Total financial assets designated as at FVTPL [(2)]	**185,914,435**	159,365,164
TOTAL INVESTMENTS	**318,783,111**	270,261,013

(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 as fair value through profit or loss statement on initial recognition.

15 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 entitiy, 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 interest in unconsolidated structured entities as described below.

The Branch holds shares or units in investment vehicles, which consist of:
- Collective Investment Scheme 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 2020, the Branch's total interest in unconsolidated structured entities was $132,868,676 (2019: $110,895,849) which is presented as part of the Investments on the Branch's Balance Sheet.

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

As at 31 December 2020, a summary of the Branch's interest in unconsolidated structured entities is as follows:

in Brunei Dollars	Financial investments	
	2020	**2019**
Collective Investment Scheme		
Analysed as:		
Hedge funds	45	46
ETF	5,267,933	14,191,287
OEIC	127,600,698	96,704,516
Total	132,868,676	110,895,849

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 other financial or other support in addition to that described above as at the reporting date, and there are no intentions to provide support in relation to any other unconsolidated structured entities in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

16 PROPERTY, PLANT AND EQUIPMENT

in Brunei Dollars	Computer Equipment	Building	Other Assets [1]	Total
Cost				
Cost at 1 January 2019	205,082	890,000	870,758	1,965,840
Additions	72,684	-	2,870	75,554
Disposals / assets written off	(33,825)	-	(127,608)	(161,433)
Cost at 31 December 2019 and 1 January 2020	243,941	890,000	746,020	1,879,961
Additions	**87,456**	-	**15,081**	**102,537**
Disposals / assets written off	**(1,910)**		**(1,700)**	**(3,610)**
Cost at 31 December 2020	**329,487**	**890,000**	**759,401**	**1,978,888**
Accumulated Depreciation				
At 1 January 2019	(101,826)	(106,800)	(854,989)	(1,063,615)
Depreciation charge for the year	(23,146)	(17,800)	(7,904)	(48,850)
Disposals / assets written off	33,825	-	127,608	161,433
At 31 December 2019 and 1 January 2020	(91,147)	(124,600)	(735,285)	(951,032)
Depreciation charge for the year	**(37,354)**	**(17,800)**	**(10,307)**	**(65,461)**
Disposals / assets written off	**1,910**	-	**1,700**	**3,610**
Accumulated Depreciation at 31 December 2020	**(126,591)**	**(142,400)**	**(743,892)**	**(1,012,883)**
Net Book Value				
Net Book Value, at 31 December 2019	152,794	765,400	10,735	928,929
Net Book Value, at 31 December 2020	**202,896**	**747,600**	**15,509**	**966,005**

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

NOTES TO THE FINANCIAL STATEMENTS

17 AMOUNT DUE TO HEAD OFFICE

The amount due to Head Office is non-trade related, unsecured, interest-free, repayable on demand and is to be settled in cash. During the financial year, an amount of $618,444 (2019: $430,054) was transferred from Unallocated Surplus to Amount due to Head Office.

18 RELATED PARTY TRANSACTIONS

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

18.1 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	**2020**	2019
Management and performance fees paid to a related company	**994,633**	881,510
Interest income received from:		
- Ultimate holding company	**32**	-
Compensation of key management personnel paid to:		
- Head office	**22,540**	32,468
Other expenses paid to:		
- Head office	**708,292**	642,883

18.2 Balance Sheet balances with related parties

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

in Brunei Dollars	**2020**	2019
Cash and cash equivalents held with:		
- Ultimate holding company	**660,231**	71,670
Amount due to Head Office	**661,869**	2,374,840

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 (2019: Nil).

19 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 Group's risk management initiatives. The Board may delegate this responsibility to the Risk Management Committee ("RMC"). At the Group 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 Group IC, Group ALC, Group PMAC, Group TSC, Local Senior Management Team("SMT"), Local ALC, Local Product Development Committee("PDC") and Local TSC.

Group IC is responsible for overseeing all investment management activities of the Group 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 technical frameworks, policies, processes and methodologies relating to Balance Sheet management. Group ALC is also responsible for ensuring compliance and alignment with Group Governance and Oversight Framework, i.e. Group standards and guidelines. 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 Group's strategic growth into the future. Group TSC is supported by Local TSC.

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

Regulatory framework

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 investment policy rests with the respective Board of Directors ("Board"). The Board exercises oversight on investments to safeguard the interests of policyholders and shareholders.

Capital management

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

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

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

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 activities of the Branch are the provision of financial advisory services coupled with insurance protection against risks such as mortality, morbidity (health, disability, critical illness, personal accident).

The Branch's underwriting strategy is designed to ensure that these risks are well diversified in terms of type 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 of current health conditions and family medical history, regular review of actual claims experience and product pricing, 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. While insurance risks may not vary significantly across the geographical locations in which the Branch currently operates, the types of risks insured and industries, assumptions used in pricing the insurance products and subsequent setting of the technical 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 Group RMC and 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, reinsurers must have a minimum credit rating of S&P A- or equivalent to be considered for reinsurance business. 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 and dividends payable to policyholders.

Stress Testing ("ST") 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

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Insurance Risk (continued)

TABLE 19(A): The table below sets out the distribution of the various life insurance risk as at the Balance Sheet date:

	Life Insurance	
in Brunei Dollars	**As at 31 December 2020 Insurance contract liabilities**	As at 31 December 2019 Insurance contract liabilities
Whole life	**157,810,670**	135,012,181
Endowment	**56,692,497**	51,759,752
Term	**602,133**	662,328
Accident and health	**388,129**	427,004
Others	**13,091,550**	9,440,814
Total	**228,584,979**	197,302,079

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
(a)	Scenario 1 – Mortality and Major Illness	+ 25% for all future years
(b)	Scenario 2 – Mortality and Major Illness	- 25% for all future years
(c)	Scenario 3 – Health and Disability	+ 25% for all future years
(d)	Scenario 4 – Health and Disability	- 25% for all future years
(e)	Scenario 5 – Lapse and Surrender rates	+ 25% for all future years
(f)	Scenario 6 – Lapse and Surrender rates	- 25% for all future years
(g)	Scenario 7 - Expenses	+ 30% for all future years

TABLE 19(B): Profit / (Loss) After Tax sensitivity:
Impact on 1-year's profit / (loss) after tax

in Brunei Dollars	**Scenario 1**	**Scenario 2**	**Scenario 3**	**Scenario 4**	**Scenario 5**	**Scenario 6**	**Scenario 7**
2020							
Gross impact	**(3,052,453)**	**2,886,439**	**(88,437)**	**51,885**	**1,161,619**	**(1,419,799)**	**(91,125)**
Reinsurance ceded	**305,914**	**(50,844)**	**6,043**	**(7,604)**	**(27,230)**	**94,442**	**14,821**
Net impact	**(2,746,539)**	**2,835,595**	**(82,394)**	**44,281**	**1,134,389**	**(1,325,357)**	**(76,304)**
2019							
Gross impact	(2,287,760)	2,274,044	(21,292)	21,935	902,113	(1,093,472)	(72,774)
Reinsurance ceded	121,775	(8,117)	(65)	(66)	(4,914)	28,284	3,441
Net impact	(2,165,985)	2,265,927	(21,357)	21,869	897,199	(1,065,188)	(69,333)

The tables above demonstrate the sensitivity of the Branch's profit and loss after tax to to possible changes in individual actuarial valuation assumptions on an individual basis with all other variables held constant.

The method used, including the significant assumptions made, for performing the above sensitivity analysis did not change from the previous year.

NOTES TO THE FINANCIAL STATEMENTS

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit 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.

Group ALC, Group IC and Local ALCs actively manages market risk through 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 Group'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 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. The Insurance Fund will incur an economic loss when interest rates drop as the duration of policy liabilities is generally longer than the duration of fixed income assets.

(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.

TABLE 19(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 2020					
FINANCIAL AND INSURANCE-RELATED ASSETS					
Financial assets at FVTPL					
Debt securities	-	174,678,903	3,574,329	7,661,203	185,914,435
Other investments	-	-	98,633,713	34,234,963	132,868,676
Derivative financial assets	-	55,268	-	-	55,268
Insurance receivables	22,145,895	153,151	-	-	22,299,046
Other debtors	1,049,913	1,921,781	24,228	7,875	3,003,797
Cash and cash equivalents	10,363,112	22,836,825	265,663	519,373	33,984,973
	33,558,920	199,645,928	102,497,933	42,423,414	378,126,195
FINANCIAL AND INSURANCE-RELATED LIABILITIES					
Insurance payables	8,190,503	142,779	-	-	8,333,282
Other creditors	8,732,095	8,940,571	-	-	17,672,666
Derivative financial liabilities	-	-	-	49,631	49,631
Amount due to Head Office	661,869	-	-	-	661,869
Insurance contract liabilities	228,584,979	-	-	-	228,584,979
	246,660,858	9,083,350	-	49,631	255,793,839

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(b) ***Foreign exchange risk (continued)***

	BND	SGD	USD	Others	Total
As at 31 December 2019					
FINANCIAL AND INSURANCE-RELATED ASSETS					
Financial assets at FVTPL					
Debt securities	-	151,664,039	3,840,860	3,860,265	159,365,164
Other investments	-	-	86,528,755	24,367,094	110,895,849
Derivative financial assets	-	50,603	-	-	50,603
Insurance receivables	22,069,983	61,254	-	-	22,131,237
Other debtors	1,059,791	1,899,694	30,902	41,392	3,031,779
Cash and cash equivalents	6,676,437	11,705,329	184,409	181,127	18,747,302
	29,806,211	165,380,919	90,584,926	28,449,878	314,221,934
FINANCIAL AND INSURANCE-RELATED LIABILITIES					
Other creditors	2,783,799	347,588	-	-	3,131,387
Insurance payables	8,158,005	56,876	-	-	8,214,881
Derivative financial liabilities	-	-	54,776	-	54,776
Amount due to Head Office	2,374,840	-	-	-	2,374,840
Insurance contract liabilities	197,302,079	-	-	-	197,302,079
	210,618,723	404,464	54,776	-	211,077,963

The Branch has no significant concentration of foreign exchange risk.

(c) ***Equity price risk.*** Exposure to equity price risk exists in both assets and liabilities. Asset exposure exists through direct equity investment, where the Branch, through investments, bears all or most of the volatility in returns and investment performance risk. Limits are set for single security holdings as a percentage of 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 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 real estate and 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 a direct or significant 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 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 a combination of 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

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) ***Liquidity risk (continued)***

Maturity Profile

TABLE 19(D): The following tables show the expected recovery or settlement of financial assets and maturity profile of the Branch's financial and insurance related liabilities which are presented based on contractual undiscounted cash flow basis, except for insurance contract liabilities which are presented based on net cash outflows resulting from recognised liabilities :

in Brunei Dollars	Carrying Amount	< 1 Year	1 - 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2020						
FINANCIAL AND INSURANCE-RELATED ASSETS						
Financial assets at FVTPL						
Debt securities	185,914,435	-	14,423,425	211,026,593	-	225,450,018
Other investments	132,868,676	-	-	-	132,868,676	132,868,676
Insurance receivables	22,299,046	22,225,395	73,651	-	-	22,299,046
Other debtors	3,003,797	2,000,547	-	-	1,003,250	3,003,797
Derivative financial assets	55,268	55,268				55,268
Cash and cash equivalents	33,984,973	33,984,973	-	-	-	33,984,973
	378,126,195	58,266,183	14,497,076	211,026,593	133,871,926	417,661,778
FINANCIAL AND INSURANCE-RELATED LIABILITIES						
Other creditors	17,672,666	17,672,666	-	-	-	17,672,666
Insurance payables	8,333,282	8,229,804	16,415	-	87,063	8,333,282
Derivative financial liabilities	49,631	49,631				49,631
Amount due to Head Office	661,869	661,869	-	-	-	661,869
Insurance contract liabilities	228,584,979	(4,752,956)	(3,268,215)	236,606,150	-	228,584,979
	255,302,427	21,861,014	(3,251,800)	236,606,150	87,063	255,302,427

	Carrying Amount	< 1 Year	1 - 5 Years	> 5 Years	No maturity date	Total
As at 31 December 2019						
FINANCIAL AND INSURANCE-RELATED ASSETS						
Financial assets at FVTPL						
Debt securities	159,365,164	1,541,906	12,005,809	197,767,020	-	211,314,735
Other investments	110,895,849	-	-	-	110,895,849	110,895,849
Insurance receivables	22,131,237	22,087,193	44,044	-	-	22,131,237
Other debtors	3,031,779	2,028,529	-	-	1,003,250	3,031,779
Derivative financial assets	50,603	50,603				50,603
Cash and cash equivalents	18,747,302	18,747,302	-	-	-	18,747,302
	314,221,934	44,455,533	12,049,853	197,767,020	111,899,099	366,171,505
FINANCIAL AND INSURANCE-RELATED LIABILITIES						
Other creditors	3,131,387	3,131,387	-	-	-	3,131,387
Insurance payables	8,214,881	8,119,494	8,212	-	87,175	8,214,881
Derivative financial liabilities	54,776	54,776				54,776
Amount due to Head Office	2,374,840	2,374,840	-	-	-	2,374,840
Insurance contract liabilities	197,302,079	(2,616,052)	(1,623,925)	201,542,056	-	197,302,079
	211,077,963	11,064,445	(1,615,713)	201,542,056	87,175	211,077,963

NOTES TO THE FINANCIAL STATEMENTS

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(g) *Liquidity risk (continued)*

TABLE 19(E): The following tables show the current/non-current classification of assets and liabilities:

in Brunei Dollars	Current*	Non-Current	Total
As at 31 December 2020			
ASSETS			
Cash and cash equivalents	**33,984,973**	**-**	**33,984,973**
Other debtors	**2,010,547**	**1,003,250**	**3,013,797**
Insurance receivables	**22,225,395**	**73,651**	**22,299,046**
Derivative financial assets	**55,268**	**-**	**55,268**
Investments	**-**	**318,783,111**	**318,783,111**
Property, plant and equipment	**-**	**966,005**	**966,005**
	58,276,183	**320,826,017**	**379,102,200**
LIABILITIES			
Other creditors	**17,743,198**	**-**	**17,743,198**
Insurance payables	**8,229,804**	**103,478**	**8,333,282**
Derivative financial liabilities	**49,631**	**-**	**49,631**
Income tax	**1,258,008**	**-**	**1,258,008**
Amount due to Head Office	**661,869**	**-**	**661,869**
Insurance contract liabilities	**(4,752,956)**	**233,337,935**	**228,584,979**
	23,189,554	**233,441,413**	**256,630,967**

	Current*	Non-Current	Total
As at 31 December 2019			
ASSETS			
Cash and cash equivalents	18,747,302	-	18,747,302
Other debtors	2,038,529	1,003,250	3,041,779
Insurance receivables	22,087,193	44,044	22,131,237
Derivative financial assets	50,603	-	50,603
Investments	1,513,631	268,747,382	270,261,013
Property, plant and equipment	-	928,929	928,929
	44,437,258	270,723,605	315,160,863
LIABILITIES			
Other creditors	3,201,192	-	3,201,192
Insurance payables	8,119,494	95,387	8,214,881
Derivative financial liabilities	54,776	-	54,776
Income tax	1,481,471	-	1,481,471
Amount due to Head Office	2,374,840	-	2,374,840
Insurance contract liabilities	(2,616,052)	199,918,131	197,302,079
	12,615,721	200,013,518	212,629,239

* Expected recovery or settlement within 12 months from the Balance Sheet date.

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit 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 Group ALC. The Branch establishes internal limits by issuer, counterparty and investment grade which are actively monitored to manage the credit and concentration risk and 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.

in Brunei Dollars	Type of Collaterals	Carrying Amount of Loans	Fair Value of Collateral
As at 31 December 2020			
Policy loans	**Cash value of policies**	**21,314,852**	**47,267,224**
Total		**21,314,852**	**47,267,224**
As at 31 December 2019			
Policy loans	Cash value of policies	20,947,232	46,525,500
Total		20,947,232	46,525,500

There were no securities lending arrangements as at 31 December 2020 (31 December 2019: nil)

As at the Balance Sheet date, no investments (2019: nil) were placed as collateral for currency hedging purposes.

Transactions are conducted under standard terms and conditions for securities borrowing and lending activities.

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

	Neither past due nor impaired					
in Brunei Dollars	**Investment Grade (BBB to AAA)**	**Non Investment Grade (C to BB)**	**Not Rated**	**Not subject to credit risk**	**Past due***	**Total**
As at 31 December 2020						
Financial assets at FVTPL						
Debt securities	**168,025,966**	**-**	**17,888,469**	**-**	**-**	**185,914,435**
Other investments	**-**	**-**	**-**	**132,868,676**	**-**	**132,868,676**
Derivative financial assets	**55,268**	**-**	**-**	**-**	**-**	**55,268**
Insurance receivables	**-**	**-**	**22,299,046**	**-**	**-**	**22,299,046**
Other debtors	**-**	**-**	**3,013,797**	**-**	**-**	**3,013,797**
Cash and cash equivalents	**33,984,973**	**-**	**-**	**-**	**-**	**33,984,973**
	202,066,207	**-**	**43,201,312**	**132,868,676**	**-**	**378,136,195**

*** The Branch does not hold any financial assets that are past due or impaired.**

NOTES TO THE FINANCIAL STATEMENTS

19 ENTERPRISE RISK GOVERNANCE AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market and Credit Risk (continued)

(h) *Credit risk (continued)*

in Brunei Dollars	Neither past due nor impaired: Investment Grade (BBB to AAA)	Non Investment Grade (C to BB)	Not Rated	Not subject to credit risk	Past due*	Total
As at 31 December 2019						
Financial assets at FVTPL						
Debt securities	146,801,691	-	12,563,473	-	-	159,365,164
Other investments	-	-	-	110,895,849	-	110,895,849
Derivative financial assets	50,603	-	-	-	-	50,603
Insurance receivables	-	-	22,131,237	-	-	22,131,237
Other debtors	-	-	3,041,779	-	-	3,041,779
Cash and cash equivalents	18,747,302	-	-	-	-	18,747,302
	165,599,596	-	37,736,489	110,895,849	-	314,231,934

* The Branch does not hold any financial assets that are past due or impaired.

As at Balance Sheet date, no ECL was recognized on the trade and insurance receivables of the Branch.

(i) ***Concentration risk.*** An important element of managing both market and credit 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 and credit risk.

Operation 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 (SIB). 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 cyber-attacks, data loss/leakage, deficiency in change management, emerging technology, inadequate vendor management, inferior system acquisition and development, network security vulnerability, privileged access misuse, system security vulnerability, system unavailability and technology obsolescence. Key risk indicators related to technology risks are reported to the Board on a regular basis. Independent assessment is performed by Internal Audit for its adequacy and effectiveness.

NOTES TO THE FINANCIAL STATEMENTS

20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

20.1 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, the fair value measurement would be 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 heirarchy

There has been no transfers of financial assets between levels during the financial years ended 31 December 2020 and 2019.

20.2 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:

in Brunei Dollars	Level 1 - Quoted Market Price	Level 2 - Valuation techniques - market observable inputs	Total fair value
As at 31 December 2020			
Financial assets			
Derivative financial assets			
Foreign exchange			
Forwards	7,272	47,996	55,268
Financial assets at FVTPL			
Debt securities	179,667,905	6,246,530	185,914,435
Other investments			
Collective investment schemes	132,868,631	45	132,868,676
	312,543,808	6,294,571	318,838,379
Financial liabilities			
Derivative financial liabilities			
Interest rates			
Exchange traded futures	49,631	-	49,631
	49,631	-	49,631

NOTES TO THE FINANCIAL STATEMENTS

20 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

20.2 Assets and Liabilities Measured at Fair Value (continued)

in Brunei Dollars	Level 1 - Quoted Market Price	Level 2 - Valuation techniques - market observable inputs	Total fair value
As at 31 December 2019			
Financial assets			
Derivative financial assets			
Foreign exchange			
Forwards	-	50,603	50,603
Financial assets at FVTPL			
Debt securities	153,740,942	5,624,222	159,365,164
Other investments			
Collective investment schemes	110,895,803	46	110,895,849
	264,636,745	**5,674,871**	**270,311,616**
Financial liabilities			
Derivative financial liabilities			
Interest rates			
Exchange traded futures	54,776	-	54,776
	54,776	-	54,776

NOTES TO THE FINANCIAL STATEMENTS

21 EVENTS AFTER THE REPORTING PERIOD

Management views the COVID-19 pandemic as an evolving situation with continued uncertainties that could impact the performance of the Branch. There are still many unknowns surrounding the pandemic and the timing of its eradication remains uncertain. The impact to the Branch's business operations would hinge on each government's response to manage the health and economic effects of the pandemic.

Management expects continued volatility in the financial markets, resulting in fluctuations in the mark-to-market valuation of our assets and liabilities, which will impact our profit. Key factors are the direction of interest rates, credit spreads and equity prices. As the Branch's bonds are mostly investment grade, the default risk is likely to be low.

22 AUTHORISATION OF FINANCIAL STATEMENTS

At the Board of Directors' Meeting held on 22 February 2021, the Board authorised these financial statements for issue and that two Directors of the Board, Mr Koh Beng Seng and Mr Leo Mun Wai, sign on behalf of the Board.