Docusign Envelope ID: A128D083-BDB0-8ACC-8053-F73B1B1094FC

Great American Insurance Company
(Incorporated in United States of America)
Singapore Branch

Company Registration No. T15FC0029B

Annual Financial Statements
31 December 2025

Classified as General

Docusign Envelope ID: A128D083-BDB0-8ACC-8053-F73B1B1094FC

Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

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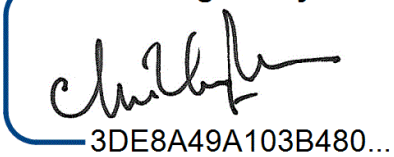
Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement by Chief Executive

For the financial year ended 31 December 2025

In my opinion, the accompanying statement of comprehensive income, statement of financial position, statement of changes in head office account and statement of cash flows together with notes thereto of the Singapore Branch of Great American Insurance Company (the "Branch") are properly drawn up so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2025, and of the results, changes in head office account and cash flows from such operations for the financial year then ended.

DocuSigned by:



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Chee Keng Koon
Chief Executive

Singapore
30 April 2026

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Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Independent Auditor's Report

For the financial year ended 31 December 2025
To the member of Great American Insurance Company

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Singapore Branch of Great American Insurance Company (the "Branch"), pursuant to section 373 of the Singapore Companies Act 1967 (the "Act"). These financial statements comprise the statement of financial position as at 31 December 2025, statement of comprehensive income, statement of changes in head office account, statement of cash flows for the financial year then ended, and notes to the financial statements, including material accounting policy information.

The Branch is a segment of Great American Insurance Company and is not a separately incorporated legal entity. The Branch's financial statements have been prepared from the records of the Branch and reflect only transactions recorded therein.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at 31 December 2025, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the financial year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). 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 are independent of the Branch in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code"), as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to audits of the financial statements of public interest entities in Singapore. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for other information. The other information comprises the Statement by Chief Executive included in page 1 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Independent Auditor's Report

For the financial year ended 31 December 2025
To the member of Great American Insurance Company

Responsibilities of management and directors for the financial statements

The Branch's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, the Branch's 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 the Branch's management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include 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 SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism 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 the Branch's management.

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Auditor's responsibilities for the audit of the financial statements (continued)

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

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

We communicate with the Branch's management 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 examined by us relating to the Branch's operations in Singapore have been properly kept in accordance with the provisions of the Act.

DocuSigned by:
Ernst & Young LLP
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Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

30 April 2026

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Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement of Comprehensive Income

For the financial year ended 31 December 2025

	Notes	2025 S$'000	2024 S$'000
Insurance revenue	6.1.1, 12	140,172	135,910
Insurance service expenses	6.1.1, 13	(109,135)	(88,874)
Insurance service result before reinsurance contracts held		**31,037**	**47,036**
Net income/(expenses) from reinsurance contracts held	6.1.2, 6.2.2	2,083	(25,303)
Insurance service result	21.7	**33,120**	**21,733**
Investment income	17	6,760	4,797
Impairment gain/(loss) on debt instruments at fair value through other comprehensive income ("FVOCI")	17	25	(1)
Net investment income		**6,785**	**4,796**
Net finance expenses from insurance contracts issued	17	(8,932)	(2,263)
Net finance income from reinsurance contracts held	17	2,226	3,651
Net insurance finance (expenses)/income		**(6,706)**	**1,388**
Net insurance and investment result		**33,199**	**27,917**
Net (loss)/gain on foreign exchange		(8,652)	4,785
Other operating expenses	13	(6,376)	(5,671)
Other income		2	80
Profit before tax		**18,173**	**27,111**
Income tax expense	14.1	(2,307)	–
Profit for the financial year		**15,866**	**27,111**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value gain on debt instruments at FVOCI	9	1,116	1,155
Change in expected credit loss ("ECL") allowance	21.2.1	(25)	1
Other comprehensive income for the financial year, net of tax		**1,091**	**1,156**
Total comprehensive income for the financial year		**16,957**	**28,267**

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

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Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement of Financial Position

As at 31 December 2025

	Notes	As at 31 December 2025 S$'000	2024 S$'000
Assets			
Plant and equipment	4	2,439	2,996
Right-of-use assets	15	5,518	7,229
Reinsurance contract assets	6	62,425	39,977
Other receivables	7	2,083	1,937
Investments	9	106,524	105,514
Deferred income tax assets	19	1,292	–
Cash and cash equivalents	8	134,370	123,956
Total assets		**314,651**	**281,609**
Liabilities			
Insurance contract liabilities	6	127,345	114,577
Reinsurance contract liabilities	6	2,738	3,229
Other creditors and accruals	10	6,507	4,548
Lease liabilities	15	5,900	7,650
Deferred income tax liabilities	19	3,599	–
Total liabilities		**146,089**	**130,004**
Net assets		**168,562**	**151,605**
Head office account			
Head office contribution	11	145,010	145,010
Fair value adjustment reserves		573	(518)
Accumulated profits		22,979	7,113
Total head office account		**168,562**	**151,605**

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

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Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement of Changes in Head Office Account

For the financial year ended 31 December 2025

	Notes	Head office contribution	Accumulated profits/(losses)	Fair value adjustment reserves	Total head office account
		S$'000	S$'000	S$'000	S$'000
Balance as at 1 January 2025		**145,010**	**7,113**	**(518)**	**151,605**
Profit for the financial year, net of tax		–	15,866	–	15,866
Fair value gain on debt instruments at FVOCI	9	–	–	1,116	1,116
Change in ECL allowance	21.2.1	–	–	(25)	(25)
Total comprehensive income for the financial year		**–**	**15,866**	**1,091**	**16,957**
Fund contribution from head office	11	–	–	–	–
Balance as at 31 December 2025		**145,010**	**22,979**	**573**	**168,562**
Balance as at 1 January 2024		**145,010**	**(19,998)**	**(1,674)**	**123,338**
Profit for the financial year, net of tax		–	27,111	–	27,111
Fair value gain on debt instruments at FVOCI	9	–	–	1,155	1,155
Change in ECL allowance	21.2.1	–	–	1	1
Total comprehensive income for the financial year		**–**	**27,111**	**1,156**	**28,267**
Fund contribution from head office	11	–	–	–	–
Balance as at 31 December 2024		**145,010**	**7,113**	**(518)**	**151,605**

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

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Great American Insurance Company
(Incorporated in the United States of America)
Singapore Branch

Statement of Cash Flows

For the financial year ended 31 December 2025

	Notes	2025 S$'000	2024 S$'000
Operating activities			
Profit before tax		18,173	27,111
Adjustments for:			
Gain on disposal of plant and equipment		(2)	(80)
Loss on write-off of plant and equipment		15	–
Depreciation expense on plant and equipment	4	1,047	1,312
Depreciation expense on right-of-use assets	15	1,905	1,971
Interest income	17	(6,760)	(4,797)
Finance cost	15	408	328
Unrealised foreign exchange loss/(gain) on debt instruments at FVOCI	9	1,588	(2,407)
Impairment (reversal)/charge on debt instruments at FVOCI	21.2.1	(25)	1
Operating cash flows before working capital changes		**16,349**	**23,439**
(Increase)/decrease in other receivables		(29)	937
Increase/(decrease) in other creditors and accruals		1,765	(889)
Movement in reinsurance contract assets		(22,448)	(826)
Movement in reinsurance contract liabilities		(491)	630
Movement in insurance contract liabilities		12,768	4,004
Total changes in working capital		(8,435)	3,856
Finance cost paid	15	(408)	(328)
Net cash flows generated from operating activities		**7,506**	**26,967**
Investing activities			
Purchase of plant and equipment	4	(505)	(2,662)
Proceeds from disposal of plant and equipment		2	88
Purchase of debt instruments at FVOCI	9	(73,844)	(46,919)
Proceeds from redemption of debt instruments at FVOCI	9	72,988	45,346
Interest received		6,017	5,755
Net cash flows generated from investing activities		**4,658**	**1,608**
Financing activity			
Payment of principal portion of lease liabilities	15	(1,750)	(1,445)
Net cash flows used in financing activity		**(1,750)**	**(1,445)**
Net increase in cash and cash equivalents		10,414	27,130
Cash and cash equivalents at beginning of financial year		123,956	96,826
Cash and cash equivalents at end of financial year	8	**134,370**	**123,956**

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

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Notes to the Financial Statements

For the financial year ended 31 December 2025

1. Corporate information

Great American Insurance Company, Singapore Branch ("the Branch") is a branch of Great American Insurance Company, incorporated in Ohio, United States. The Branch was registered under the Companies Act 1967, on 11 March 2015 and a license to carry on general insurance business in Singapore was granted by the Monetary Authority of Singapore ("MAS") on 15 May 2015.

The Branch is engaged principally in the underwriting of direct and reinsurance insurance business. There were no significant changes in the nature of the principal activity during the financial year.

The registered office of the Branch is at 3 Temasek Avenue, #16-01, Centennial Tower, Singapore 039190.

2. Material accounting policy information

2.1 *Basis of preparation*

These financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") and Section 373 of the Singapore Companies Act 1967. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies are consistently applied in the financial statements.

The financial statements are prepared on a historical cost basis, except as disclosed in the accounting policies below.

The preparation of these financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Branch's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements are disclosed in Note 3.

The financial statements are presented in Singapore Dollars and rounded to the nearest thousands (S$'000) except when otherwise indicated.

2.2 *Changes in accounting policies*

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2025. The impact of the adoption of these new or amended standards and interpretations in the financial statements is assessed to be immaterial.

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2. Material accounting policy information (continued)

2.3 ***Standards issued but not yet effective***

The Branch has not adopted the following relevant standards that are issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS109 *Financial Instruments* and FRS107 *Financial Instruments: Disclosures*: Classification and Measurement of Financial Instruments	1 January 2026
Annual Improvements to FRSs -Volume 11	1 January 2026
FRS 118 *Presentation and Disclosure in Financial Statements*	1 January 2027

The Branch's management expected that the adoption of the above standards will have no material impact on the financial statements in the period of initial application except FRS 118 which the Branch's management is still assessing the impact to the Branch's financial statements.

FRS 118 Presentation and Disclosure in Financial Statements introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.

In addition, narrow-scope amendments have been made to FRS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. FRS 118, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. FRS 118 will apply retrospectively.

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2. Material accounting policy information (continued)

2.4 ***Plant and equipment***

2.4.1 ***Measurement***

All items of plant and equipment are initially recorded at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Branch and the costs of the item can be reliably measured. All other repairs and maintenance expenses are recognised in profit and loss when incurred.

The cost of property and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended.

2.4.2 ***Depreciation***

Depreciation is calculated using the straight-line basis over the estimated useful lives as follows:

Furniture and fittings	5 years
IT equipment (computer hardware)	3 years
IT equipment (server hardware)	5 years
IT equipment (software)	5 years
Office equipment	5 years
Motor vehicles	5 years

The residual values, estimated useful lives and depreciation method are reviewed at each financial year-end 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 plant and equipment.

2.4.3 ***Disposal***

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in profit or loss.

2.5 ***Impairment of non-financial assets***

Assets are tested for impairment whenever there is an evidence or indication that these assets may be impaired.

An impairment loss for an asset is reversed if, and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss in the period in which it arises.

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2. Material accounting policy information (continued)

2.6 ***Financial assets***

2.6.1 ***Classification and recognition***

Financial assets within the scope of FRS 109 are classified as either financial assets at amortised cost, fair value through other comprehensive income or fair value through profit or loss as appropriate, depending on their contractual terms and the business model for managing the instruments, as described below.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVTPL, transaction costs are added to this amount.

Debt instruments measured at amortised cost
Debt instruments are held at amortised cost if both of the following conditions are met:

- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding

The details of these conditions are outlined below.

Business model assessment
The Branch determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Branch holds financial assets to generate returns and provide a capital base to meet its primary insurance and reinsurance obligations as they arise. The Branch holds one single portfolio of investment securities, and its fund manager is responsible to carry out all the investment decisions including purchase and sales of assets in compliance with the risk mandate and guidelines set up by the Branch.

The Branch's business model is not assessed on an instrument-by-instrument basis, but at a portfolio level that is based on observable factors such as:

- How the financial assets are grouped and managed
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Branch's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated
- The expected frequency, value and timing of asset sales are also important aspects of the Branch's assessment

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2. Material accounting policy information (continued)

2.6 ***Financial assets*** *(continued)*

2.6.1 ***Classification and recognition*** *(continued)*

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenario into account. If 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.

The SPPI test
As a second step of its classification process, the Branch assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation/accretion of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To perform the SPPI assessment, the Branch applies judgement and considers relevant factors relating to the interest, principal, collateral, prepayments, extension and financial covenant.

Debt instruments measured at fair value through other comprehensive income
The Branch applies the new category under FRS 109 for debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to liquidity needs or changes in market conditions.

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2. Material accounting policy information (continued)

2.6 ***Financial assets*** *(continued)*

2.6.2 ***Subsequent measurement***

Debt instruments at amortised cost
After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective interest rate ("EIR"). ECLs are recognised in the statement of profit or loss when the investments are impaired.

Debt instruments at fair value through other comprehensive income
FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost using the effective interest method. When the Branch holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Reclassification of financial assets and liabilities
The Branch does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Branch acquires, disposes of, or terminates a business line.

2.6.3 ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Branch has also transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

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2. Material accounting policy information (continued)

2.6 ***Financial assets*** *(continued)*

2.6.4 ***Impairment of financial assets***

The Branch recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Branch expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12mECL. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Branch's debt instruments at FVOCI comprise bonds and treasury bills that are graded A or better by external credit agencies Standard & Poor's, AM Best and Moody's and therefore, are considered to be low credit risk investments. It is the Branch's policy to measure such instruments on a 12mECL basis. The Branch does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when the credit ratings of the issuers or securities drop below investment grade, for which a lifetime ECL will be calculated. For these instruments, the Branch's fund manager will continue to hold the positions but will not make further purchases to increase the exposure.

The Branch considers a financial instrument to be in default when the counterparty is unlikely to fulfil its credit obligations to it on the scheduled payment dates more specifically when contractual payments are 90 days past due. However, in certain cases, the Branch may also consider a financial asset to be in default when internal or external information indicates that the Branch is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

<u>The calculation of ECLs</u>
The Branch calculates ECLs based on the measurement of expected cash shortfalls. A cash shortfall is the difference between the cash flows that are due to the Branch in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- The Exposure at Default ("EAD") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Branch would expect to receive.

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2. Material accounting policy information (continued)

2.6 ***Financial assets*** *(continued)*

2.6.4 ***Impairment of financial assets*** *(continued)*

The Branch allocates its assets subject to ECL calculations to one of these categories, determined as follows:

- 12mECL: The 12mECL is calculated as the portion of lifetime ECLs ("LTECLs") that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Branch calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date.
- LTECL: When an instrument has shown a significant increase in credit risk since origination, the Branch records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.
- Impairment: For debt instruments considered credit-impaired, the Branch recognises the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Debt instruments measured at fair value through other comprehensive income
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Forward-looking information
In its ECL models, the Branch relies on forward-looking information as economic inputs, such as:

- Real Gross Domestic Produce per capita growth rate
- Inflation

Write-offs
Financial assets are written off either partially or in their entirety only when the Branch has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

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2. Material accounting policy information (continued)

2.7 ***Insurance and reinsurance contracts classification***

The Branch issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Branch determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Insurance contracts can also transfer financial risk.

The Branch also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

The Branch does not issue any contracts with direct participating features.

2.8 ***Insurance and reinsurance contracts accounting treatment***

2.8.1 ***Separating components from insurance and reinsurance contracts***

At inception, the Branch separates the following components from an insurance or reinsurance contract and accounts for them as if they were stand-alone financial instruments:

(a) derivatives embedded in the contract whose economic characteristics and risks are not closely related to those of the host contract, and whose terms would not meet the definition of an insurance or reinsurance contract as a stand-alone instrument; and
(b) distinct investment components: i.e. investment components that are not highly inter-related with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction.

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

Some reinsurance contracts held contain profit commission or overriding profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. These components have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components ("NDIC") which are not accounted for separately. The Branch's reinsurance contracts have NDIC and these NDIC will be measured with the insurance component under FRS 117.

The insurance contracts issued by the Branch do not contain investment components because these are either conditional or settled on a net basis on premiums due from policyholders.

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.2 ***Level of aggregation***

(i) Insurance Contracts

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

a) any contracts that are onerous on initial recognition;
b) any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
c) any remaining contracts in the annual cohort.

The Branch manages insurance contracts issued by business lines, where each business line includes contracts that are subject to similar risks. Each business line also groups insurance contracts for the purposes of profitability and management reporting. All insurance contracts within a line of business represent a portfolio of contracts.

For each portfolio of contracts, the Branch determines the appropriate level at which reasonable and supportable information is available, to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Branch uses significant judgement to determine at what level of granularity the Branch has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Branch's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

An insurance contract issued by the Branch is recognised from the earliest of:

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

By business practice, there are few practical scenarios where premium will be due before the inception date hence the Branch adopted the inception date as the initial recognition date for non-onerous contracts.

An insurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

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

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.2 ***Level of aggregation*** *(continued)*

(ii) Reinsurance Contracts

Treaty reinsurance
Groups of treaty reinsurance contracts are established such that each group can comprises a single treaty contract. Reinsurance treaties providing proportionate and non-proportionate coverage are managed individually at a treaty contract level. Each treaty forms a reinsurance contract portfolio except in instances where the treaty covers various risk classes or multiple treaty coverage types. In such circumstances, the treaties will be split to their respective risk classes or the treaty coverage types.

Facultative reinsurance
Facultative reinsurance contracts with proportionate coverage that cover the same underlying risk class will be grouped together, while the facultative contracts with non-proportionate coverage that cover the same underlying risk class will be grouped together in a similar manner. The Branch manages the facultative reinsurance contracts held in accordance to the underlying insurance contract. Facultative reinsurance contracts portfolios are defined at the line of business level.

Some reinsurance contracts provide cover for underlying contracts that are included in different groups. The Branch assesses whether the reinsurance contract's legal form of a single contract reflects the substance of the Branch's contractual rights and obligations, considering whether the different covers lapse together and are sold separately. As a result, the reinsurance contract is not separated into multiple insurance components that relate to different underlying groups unless the fact and circumstances indicate that the legal contract does not reflect the underlying economic substance.

A group of reinsurance contracts is initially recognised on the earlier of the following dates:

a) the beginning of the coverage period of the group of reinsurance contracts.
   For reinsurance contracts initiated by the Branch that provide proportionate coverage, this shall be delayed to the date on which any underlying insurance contract is initially recognised if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.
b) the date the Branch recognises an onerous group of underlying insurance contracts if the related reinsurance contract was entered into on or before that earlier date.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. For treaty reinsurance, there is no further split beyond portfolio level as the portfolio definition is already at the lowest level of granularity (i.e. individual treaty level).

Applying the grouping requirements to reinsurance contracts held, reinsurance facultative contracts held concluded within a calendar year (annual cohorts) are to be aggregated into groups of:

a) Contracts for which there is a net gain at initial recognition, if any;
b) Contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
c) Remaining contracts in the portfolio, if any

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.2 ***Level of aggregation*** *(continued)*

(iii) Reinsurance Contracts (continued)

Reinsurance contracts held are assessed for aggregation requirements on an individual contract basis. The Branch tracks internal management information reflecting historical experiences of such contracts' performance. This information is used for setting pricing of these contracts such that they result in reinsurance contracts held in a net cost position without a significant possibility of a net gain arising subsequently.

2.8.3 ***Contract boundaries***

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

(i) Insurance Contracts

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

The Branch has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks;

Or

Both of the following criteria are satisfied:

a) The Branch has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio.
b) The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract are not recognised. Such amounts relate to future insurance contracts.

The pricing of the renewals is established by the Branch by considering all the risks covered for the policyholder by the Branch, that the Branch would consider when underwriting equivalent contracts on the renewal dates for the remaining service. The Branch reassesses contract boundary of each group at the end of each reporting period.

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.3 ***Contract boundaries*** *(continued)*

(ii) Reinsurance Contracts

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

a) has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
b) has a substantive right to terminate the coverage.

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

2.8.4 ***Measurement***

(i) Insurance contracts

Initial measurement

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

a) the fulfilment cash flows ("FCF"), which comprise estimates of future cash flows adjusted to reflect the time value of money, associated financial risks and a risk adjustment for non-financial risk; and
b) the contractual service margin ("CSM").

When estimating future cash flows, the Branch includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows
- Claims and benefits, including reported claims not yet paid, incurred claims not yet reported and expected future claims
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
- Claims handling costs
- Policy administration and maintenance costs
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts
- Transaction-based taxes

The FCFs of a group of insurance contracts do not reflect the Branch's non-performance risk.

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

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.4 ***Measurement*** *(continued)*

(i) Insurance contracts (continued)

Initial measurement (continued)

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

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous or insurance revenue and insurance service expenses are recognised as in (d) below) arising from:
(a) the initial recognition of the FCF;
(b) cash flows arising from the contracts in the group at that date;
(c) the derecognition of any insurance acquisition cash flows asset; and
(d) the derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

For groups of contracts acquired in a transfer of contracts or a business combination, the consideration received for the contracts is included in the FCF as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss, or as an adjustment to goodwill or a gain on a bargain purchase if the contracts are acquired in a business combination. A loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequent measurement

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

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

Changes relating to future services	Adjusted against the CSM (or recognised in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognised in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognised as insurance finance income or expenses

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.4 ***Measurement*** *(continued)*

(i) Insurance contracts (continued)

Subsequent measurement (continued)

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

(a) the CSM of any new contracts that are added to the group in the year;
(b) interest accreted on the carrying amount of the CSM during the year, measured at the discount rates on nominal cash flows that do not vary based on the returns on any underlying items determined on initial recognition;
(c) changes in FCF that relate to future services, except to the extent that:
  (a) any increases in the FCF exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component (see Note 2.8.8); or
  (b) any decreases in the FCF are allocated to the loss component, reversing losses previously recognised in profit or loss (see Note 2.8.8);
(d) the effect of any currency exchange differences on the CSM; and
(e) the amount recognised as insurance revenue because of the services provided in the year (see Note 2.8.8).

Changes in FCF that relate to future services comprise:

(a) experience adjustments arising from premiums received in the year that relate to future services and related cash flows, measured at the discount rates determined on initial recognition;
(b) changes in estimates of the present value of future cash flows in the LFRC, measured at the discount rates determined on initial recognition, except for those that arise from the effects of the time value of money, financial risk and changes therein;
(c) differences between (a) any investment component expected to become payable in the year, determined as the payment expected at the start of the year plus any insurance finance income or expenses (see Note 2.8.8) related to that expected payment before it becomes payable; and (b) the actual amount that becomes payable in the year; and
(d) changes in the risk adjustment for non-financial risk that relate to future services.

The following adjustments do not adjust the CSM:

(a) changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
(b) changes in the FCF relating to LIC;
(c) experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, such as insurance acquisition cash flows and premium-based taxes; and
(d) experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

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

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.4 ***Measurement*** *(continued)*

(i) Insurance contracts (continued)

Subsequent measurement (continued)

When a loss component exists, the Branch allocates the following between the loss component and the remaining component of the LFRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

(a) expected incurred claims and other directly attributable expenses for the period;
(b) changes in the risk adjustment for non-financial risk for the risk expired; and
(c) finance income (expenses) from insurance contracts issued.

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

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

(ii) Reinsurance contracts

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

(a) Changes in the FCF are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the FCF adjust the CSM.
(b) Changes in the FCF that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Any change in the FCF of a retroactive reinsurance contract held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit and loss and not the CSM of the reinsurance contract held.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component. Where the Branch has established a loss-recovery component, the Branch adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

A loss-recovery component is reversed in line with the reversal of the loss component of underlying groups of contracts issued, even when a reversal of the loss-recovery component is not a change in the FCF of the group of reinsurance contracts held. Reversals of the loss-recovery component that are not changes in the FCF of the group of reinsurance contracts held adjust the CSM.

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.5 ***Derecognition and contract modification***

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

For a contract modification to trigger derecognition of the original contract and recognition of the modified contract as a new contract, the modified contract has to meet any of the following conditions if the modified terms had been included at contract inception:
(a) is not within the scope of FRS 117;
(b) results in different separable components;
(c) results in a different contract boundary; or
(d) belongs to a different group of contracts.

When a new contract is required to be recognised as a result of modification and it is within the scope of FRS 117, the new contract is recognised from the date of modification and is assessed for, amongst other things, contract classification, including the component separation requirements and contract aggregation requirements.

If a contract modification does not result in derecognition, the Branch treats the changes in cash flows caused by the modification as changes in estimates of FCF.

On derecognition of a contract from within a group of contracts:
(a) the FCF allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
(b) the CSM of the group is adjusted for the change in the FCF, except where such changes are allocated to a loss component; and
(c) the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group (see Note 2.8.8).

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

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

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.6 ***Insurance acquisition cash flows***

The Branch defines acquisition cash flows as cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts using a systematic and rational method and considering, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort.

Insurance acquisition cash flows that are directly attributable to a group of insurance contracts are allocated:
(a) to that group; and
(b) to groups that will include insurance contracts that are expected to arise from renewals of the insurance contracts in that group.

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

Insurance acquisition cash flows arising before the recognition of the related group of contracts are recognised as an asset. Insurance acquisition cash flows arise when they are paid or when a liability is required to be recognised under a standard other than FRS 117. Such an asset is recognised for each group of contracts to which the insurance acquisition cash flows are allocated. The asset is derecognised, fully or partially, when the insurance acquisition cash flows are included in the measurement of the group of contracts.

When the Branch acquires insurance contracts in a transfer of contracts or a business combination, at the date of acquisition it recognises an asset for insurance acquisition cash flows at fair value for the rights to obtain:
- renewals of contracts recognised at the date of acquisition; and
- other future contracts after the date of acquisition without paying again insurance acquisition cash flows that the acquiree has already paid.

At each reporting date, the Branch revises the amounts allocated to groups to reflect any changes in assumptions that determine the inputs to the allocation method used. Amounts allocated to a group are not revised once all contracts have been added to the group.

At each reporting date, if facts and circumstances indicate that an asset for insurance acquisition cash flows may be impaired, the Branch:
(a) recognises an impairment loss in profit or loss so that the carrying amount of the asset does not exceed the expected net cash inflow for the related group; and
(b) if the asset relates to future renewals, recognises an impairment loss in profit or loss to the extent that it expects those insurance acquisition cash flows to exceed the net cash inflow for the expected renewals and this excess has not already been recognised as an impairment loss under (a).

Impairment losses reduce the carrying amount of these assets and are recognised in insurance service expenses. The Branch reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.7 ***Other pre-recognition cash flows within the contract boundary***

Before a group of insurance contracts is recognised, the Branch could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another FRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as 'other pre-recognition cash flows') are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

2.8.8 ***Presentation***

The Branch has presented separately in the statement of financial position the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

Any assets for insurance acquisition cash flows recognised before the corresponding insurance contracts are recognised are included in the carrying amount of the related portfolios of insurance contracts issued.

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

The Branch does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Branch separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The Branch's insurance revenue depicts the provision of services arising from a group of insurance contracts at an amount that reflects the consideration to which the Branch expects to be entitled in exchange for those services. Insurance revenue from a group of insurance contracts is therefore the relevant portion for the period of the total consideration for the contracts, (i.e., the amount of premiums paid to the Branch adjusted for financing effect (the time value of money) and excluding any investment components). The total consideration for a group of contracts covers amounts related to the provision of services and is comprised of:

- Insurance service expenses, excluding any amounts relating to the risk adjustment for non-financial risk and any amounts allocated to the loss component of the LFRC;
- Amounts related to income tax that are specifically chargeable to the policyholder;
- The risk adjustment for non-financial risk, excluding any amounts allocated to the loss component of the LFRC;
- The CSM release; and
- Amounts related to insurance acquisition cash flows.

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.8 ***Presentation*** *(continued)*

Amortisation of the CSM

The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Branch will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

(a) Identifying the coverage units in the group
(b) Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the insurance contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future
(c) Recognising in profit or loss the amount allocated to coverage units provided in the period

The number of coverage units in a group is the quantity of insurance contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. For groups of insurance contracts, the quantity of benefits is the contractually agreed sum insured over the period of the contracts. The total coverage units of each group of insurance contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For risk attaching reinsurance contracts held, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The quantity of benefit is the maximum probable loss. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For loss occurring reinsurance contracts held, the level of service provided depends on the contractual maximum amount that can be claimed in the period.

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.8 ***Presentation*** *(continued)*

Loss components

The Branch has grouped contracts that are onerous at initial recognition separately from contracts in the same portfolio that are not onerous at initial recognition. Groups that were not onerous at initial recognition can also subsequently become onerous if assumptions and experience changes. The Branch has established a loss component of the LFRC for any onerous group depicting the future losses recognised.

A loss component represents a notional record of the losses attributable to each group of onerous insurance contracts (or contracts profitable at inception that have become onerous). The loss component is released based on a systematic allocation of the subsequent changes relating to future service in the fulfilment cash flows to:

(a) the loss component; and
(b) the LFRC excluding the loss component.

The loss component is also updated for subsequent changes relating to future service in estimates of the FCF and the risk adjustment for non-financial risk. The systematic allocation of subsequent changes to the loss component results in the total amounts allocated to the loss component being equal to zero by the end of the coverage period of a group of contracts (since the loss component will have been materialised in the form of incurred claims). The Branch uses the proportion on initial recognition to determine the systematic allocation of subsequent changes in future cash flows between the loss component and the liability for remaining coverage excluding the loss component.

Loss-recovery components

As described in Note 2.8.4 above, when the Branch recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Branch establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component. Where a loss-recovery component has been set up at initial recognition or subsequently, the Branch adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

The carrying amount of the loss-recovery component must not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the Branch expects to recover from the group of reinsurance contracts held. On this basis, the loss-recovery component recognised at initial recognition is reduced to zero in line with reductions in the onerous group of underlying insurance contracts and is nil when loss component of the onerous group of underlying insurance contracts is nil.

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2. Material accounting policy information (continued)

2.8 ***Insurance and reinsurance contracts accounting treatment*** *(continued)*

2.8.8 ***Presentation*** *(continued)*

Insurance service expenses

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

- Incurred claims and other insurance service expenses;
- Amortisation of insurance acquisition cash flows: The Branch amortises insurance acquisition cash flows on a straight-line basis over the coverage period of the group of contracts;
- Losses on onerous contracts and reversals of such losses; and
- Adjustments to the liabilities for incurred claims that do not arise from the effects of the time value of money, financial risk and changes therein.

Net income or expenses from reinsurance contracts

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

- Amounts expected to be recovered from reinsurers; and
- Allocation of reinsurance premiums paid.

The Branch treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums. Amounts relating to the recovery of losses arising from the reinsurance of onerous direct contracts are included as amounts recoverable from the reinsurer.

Insurance finance income and expenses

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

(a) the effect of the time value of money and changes in the time value of money; and
(b) the effect of financial risk and changes in financial risk.

The main amounts within insurance finance income or expenses are:

(a) interest accreted on the FCF and the CSM;
(b) the effect of changes in interest rates and other financial assumptions; and
(c) foreign exchange differences.

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

The Branch includes all insurance finance income or expenses for the period in profit or loss (that is, the profit or loss option) is applied.

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2. Material accounting policy information (continued)

2.9 ***Provisions for other liabilities and charges***

Provisions for other liabilities and charges are recognised when the Branch has a present obligation 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 a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and will be adjusted to reflect the current best estimate.

2.10 ***Investment income***

Interest income from investments is recognised on an accrual basis using the effective interest method.

2.11 ***Employee benefits***

2.11.1 ***Short-term benefits***

Wages, salaries, bonuses and Central Provident Fund ("CPF") contributions are recognised as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees which increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

2.11.2 ***Defined contribution plans***

As required by law, the Branch makes contributions to the CPF scheme in Singapore, a defined contribution pension scheme. CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

2.12 ***Currency translation***

The financial statements are presented in Singapore Dollars, which is the functional currency of the Branch.

Transactions in foreign currencies are initially recorded in the functional currency at exchange rates prevailing at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting date. All differences are taken to the profit or loss.

Non-monetary items in foreign currency measured in historical cost are not subsequently restated. 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 determined. All differences are taken to the profit or loss.

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2. Material accounting policy information (continued)

2.13 ***Cash and cash equivalents***

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits maturing within 90 days that are subject to insignificant risk of changes in value.

2.14 ***Leases***

As lessee

The Branch assesses at contract inception whether a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Branch applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets.

2.14.1 ***Right-of-use assets***

The Branch recognises right-of-use assets at the commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The lease term includes periods covered by an option to extend if the Branch is reasonably certain to exercise that option. Unless the Branch is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and estimated useful lives of the assets, as follows:

Property	5 years
Office Equipment	5 years

The right-of-use assets are subject to impairment assessment in line with the Branch's policy as described in Note 2.5.

2.14.2 ***Lease liabilities***

At the commencement of lease date, the Branch recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Branch uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

2.14.3 ***Short-term leases and leases of low-value assets***

The Branch applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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2. Material accounting policy information (continued)

2.15 ***Taxation***

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Branch measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Branch is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax is measured:
(a) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
(b) based on the tax consequence that will follow from the manner in which the Branch expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity.

Pillar Two related top-up tax expenses are recognised and disclosed separately from other current income tax expenses. Qualified domestic top-up tax expenses are recognised and presented as current income tax expenses.

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2. Material accounting policy information (continued)

2.16 ***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 or of a parent of the head office 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 Branch (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 Branch 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 employees of either the Branch or an entity 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); or
  (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.

2.17 ***Government grants***

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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3. Significant accounting estimates, assumptions and judgements

The preparation of the Branch's financial statements requires the management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. 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 the future.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date as well as judgements made by the management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3.1 *Critical judgements made in applying accounting policies*

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Branch's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectation of future events that are believed to be reasonable under the circumstances.

3.1.1 *Determining the lease term of contracts with renewal options*

The Branch determines the lease term as the non-cancellable term of the lease, together with any period covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Branch has the option, under its office premises lease to lease the office premises for an additional term of three years. The Branch applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal.

3.1.2 *Judgements on insurance and reinsurance contracts*

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 2.7 *Insurance and reinsurance contracts classification:* assessing whether the contract transfers significant insurance risk;
- Note 2.8.2 *Level of aggregation*: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;
- Note 3.2.2(i) *Fulfilment cash flows - Estimates of future cash flows*: determining the techniques for estimating risk adjustments for non-financial risk; and
- Note 3.2.2(ii) *Contractual service margin*: the techniques for determining coverage units provided under a contract.

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3. Significant accounting estimates, assumptions and judgements (continued)

3.2 ***Key sources of estimation uncertainty and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.2.1 ***Impairment of debt instruments at FVOCI***

The measurement of impairment losses under FRS 109 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL and the relevant inputs used. Further disclosures relating to impairment of financial assets are provided in Note 21.2.1.

3.2.2 ***Insurance and reinsurance contracts***

i. Fulfilment cash flows

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

The Branch's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value.

Estimates of future cash flows

In estimating future cash flows, the Branch incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

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

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

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Branch has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

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3. Significant accounting estimates, assumptions and judgements (continued)

3.2 ***Key sources of estimation uncertainty and assumptions*** *(continued)*

3.2.2 ***Insurance and reinsurance contracts*** *(continued)*

i. Fulfilment cash flows (continued)

Estimates of future cash flows (continued)
Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs; and
- recurring commissions payable on instalment premiums receivable within the contract boundary.

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

Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics. The Branch generally allocates insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance and administration costs based on the number of in-force contracts within each group. Other costs are recognised in profit or loss as they are incurred.

The Branch estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported. The ultimate cost of settling claims is estimated using a range of loss reserving techniques such as the chain-ladder, Bornhuetter-Ferguson and expected loss ratio methods. These techniques assume that the Branch's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each line of business, except for large claims, which are assessed separately from other claims. The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

In its claims incurred assessments, the Branch uses internal and market data. Internal data is derived mostly from the Branch's claims reports. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims. Market data consists of inflation projections, large claims threshold, large claims quantity, market claims ratios and others.

Estimates are performed on an accident year basis, with further allocation to annual cohorts in proportion to the gross or reinsurance premiums earned by the respective cohort of contracts in a given accident year.

Assumptions used to develop estimates about future cash flows are reassessed at each reporting date and adjusted where required.

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3. Significant accounting estimates, assumptions and judgements (continued)

3.2 ***Key sources of estimation uncertainty and assumptions*** *(continued)*

3.2.2 ***Insurance and reinsurance contracts*** *(continued)*

i. Fulfilment cash flows (continued)

Discount rates

The cash flows of the Branch's insurance contracts do not vary with returns of the underlying items. Bottom-up approach was applied in the determination of the discount rates for the Branch's insurance contracts. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free was derived using U.S Treasury Bond and Singapore Government Securities ("SGS"). Management uses judgement to assess liquidity characteristics of the liability cash flows.

Observable market information is available for up to 20 years and the duration of the insurance contracts liabilities of the Branch typically do not exceed the "last observable point" or "last liquid point" of the selected curve.

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

	2025					
Currency	**1 year**	**2 years**	**3 years**	**5 years**	**7 years**	**10 years**
SGD	1.35% - 2.90%	1.38% - 2.83%	NA	1.57% - 2.85%	NA	1.83% - 2.92%
USD	3.48% - 4.17%	3.47% - 4.22%	3.49% - 4.27%	3.59% - 4.36%	3.78% - 4.47%	4.02% - 4.58%

	2024					
Currency	**1 year**	**2 years**	**3 years**	**5 years**	**7 years**	**10 years**
SGD	2.73% - 3.58%	2.44% - 3.50%	NA	2.50% - 3.40%	NA	2.62% - 3.45%
USD	3.98% - 5.25%	3.66% - 5.04%	3.58% - 4.87%	3.58% - 4.72%	3.67% - 4.71%	3.81% - 4.69%

Risk adjustments for non-financial risk

Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk and are allocated to groups of contracts based on an analysis of the risk profiles of the groups. Risk adjustments for non-financial risk reflect the diversification benefits from contracts issued by the entity, in a way that is consistent with the compensation that it would require and that reflects its degree of risk aversion, and the effects of the diversification benefits are determined using a confidence level method.

The risk adjustments for non-financial risk are determined using a confidence level technique. To determine the risk adjustments for non-financial risk for reinsurance contracts, the Branch applies the technique above both gross and net of reinsurance and derives the amount of risk being transferred to the reinsurer as the difference between the two results.

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

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3. Significant accounting estimates, assumptions and judgements (continued)

3.2 ***Key sources of estimation uncertainty and assumptions*** *(continued)*

3.2.2 ***Insurance and reinsurance contracts*** *(continued)*

ii. Contractual service margin

Determination of coverage units

The Branch considers the following in the identification of the coverage units for each cohort:

- Lapse expectations are included to the extent they affect the expected duration of coverage;
- Different levels of service across periods (if applicable) are considered in the determination of coverage units;
- The quantity of benefits is determined from the policyholder perspective, not the quantity of benefits expected to be incurred by the Branch; and
- A policyholder benefits from the Branch standing ready to meet valid claims should the insured event occur. Therefore, the quantity of benefits relates to the amounts that can potentially be claimed.

The Branch has assessed and identified the coverage unit to be the sum assured for all the portfolio other than Motor and Bonds. The coverage unit to be market value of the vehicle and guarantee limit for Motor and Bonds portfolios respectively. For risk attaching treaty outward contracts, the coverage unit has been assessed to be the number of in-force underlying contracts in the period. For loss occurring reinsurance treaty outward contracts, the coverage unit has been assessed to be the contractual maximum amount that can be claimed in the period.

iii. Sensitivity analysis

An analysis of the sensitivity around the various scenarios provides an indication of the adequacy of the Branch's estimation process in respect of its insurance contracts. The tables presented below demonstrate the sensitivity of insured liability estimates to the particular movements in the estimation process assumptions used. Certain assumptions can be expected to impact the liabilities more than others, and consequently a greater degree of sensitivity to these variables may be expected.

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3. Significant accounting judgements, estimates and assumptions (continued)

3.2 ***Key sources of estimation uncertainty and assumptions*** *(continued)*

3.2.2 ***Insurance and reinsurance contracts*** *(continued)*

iv. Sensitivity analysis (continued)

The analysis below has been prepared for a change in one variable with all other variables remaining constant and ignores changes in values of the related assets.

		Profit or loss		Equity	
	Change in assumptions	**Impact on profit before tax gross of reinsurance**	**Impact on profit before tax net of reinsurance**	**Impact on equity gross of reinsurance**	**Impact on equity net of reinsurance**
		S$'000	S$'000	S$'000	S$'000
2025					
Ultimate loss ratio (all classes)	+5%	(8,244)	(5,343)	(6,842)	(4,434)
	-5%	8,201	5,299	6,806	4,398
Risk adjustment factor (all classes)	+5%	(4,899)	(2,947)	(4,066)	(2,446)
	-5%	4,899	2,947	4,066	2,446
2024					
Ultimate loss ratio (all classes)	+5%	(7,576)	(5,120)	(6,288)	(4,250)
	-5%	7,503	5,008	6,227	4,157
Risk adjustment factor (all classes)	+5%	(4,410)	(2,784)	(3,660)	(2,311)
	-5%	4,410	2,731	3,660	2,267

3.2.3 ***Leases - Estimating the incremental borrowing rate***

The Branch cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Branch would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Branch 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Branch estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

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4. Plant and equipment

	Furniture and fittings S$'000	IT equipment hardware S$'000	IT equipment software S$'000	Office equipment S$'000	Motor vehicles S$'000	Total S$'000
2025						
Cost						
Beginning of financial year	2,771	2,448	8,602	341	202	14,364
Additions	–	175	330	–	–	505
Disposals	–	(12)	–	–	–	(12)
Write-offs	(1,259)	(1,548)	(1,459)	(176)	–	(4,442)
End of financial year	1,512	1,063	7,473	165	202	10,415
Accumulated depreciation						
Beginning of financial year	1,492	2,123	7,540	202	11	11,368
Depreciation charge	308	182	482	35	40	1,047
Disposals	–	(12)	–	–	–	(12)
Write-offs	(1,245)	(1,548)	(1,459)	(175)	–	(4,427)
End of financial year	555	745	6,563	62	51	7,976
Net book value at end of financial year	**957**	**318**	**910**	**103**	**151**	**2,439**
2024						
Cost						
Beginning of financial year	1,260	2,353	7,907	182	99	11,801
Additions	1,511	95	695	159	202	2,662
Disposal	–	–	–	–	(99)	(99)
End of financial year	2,771	2,448	8,602	341	202	14,364
Accumulated depreciation						
Beginning of financial year	1,219	1,969	6,708	174	77	10,147
Depreciation charge	273	154	832	28	25	1,312
Disposals	–	–	–	–	(91)	(91)
End of financial year	1,492	2,123	7,540	202	11	11,368
Net book value at end of financial year	**1,279**	**325**	**1,062**	**139**	**191**	**2,996**

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5. Claims development

The table below illustrates how estimates of cumulative claims have developed over time on a gross and net of reinsurance contract held. Each table shows how the Branch's estimates of total claims for each accident year have developed over time and reconciles the cumulative claims to the amount included in the statement of financial position. Balances have been translated at the exchange rates prevailing at the reporting date.

Analysis of claims development - Gross of reinsurance contract held

Accident Year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**Total**
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Estimate of cumulative claims											
At the end of accident year	21,933	35,832	59,293	51,698	48,795	41,589	52,573	54,401	51,497	57,195	
One year later	26,983	46,386	57,937	48,466	39,500	35,798	60,415	52,544	60,448		
Two years later	28,007	47,407	54,085	47,615	34,409	35,065	56,207	49,940			
Three years later	28,240	47,139	53,186	47,348	34,654	36,395	54,978				
Four years later	28,008	49,952	52,485	44,546	35,317	36,961					
Five years later	28,103	49,564	51,588	43,941	34,900						
Six years later	28,054	49,823	51,576	43,819							
Seven years later	28,036	49,604	57,485								
Eight years later	28,015	49,328									
Nine years later	28,003										
Current estimate of ultimate claims	28,003	49,328	57,485	43,819	34,900	36,961	54,978	49,940	60,448	57,195	473,057
Cumulative payments to-date	(28,003)	(48,722)	(57,260)	(43,244)	(34,021)	(34,262)	(35,414)	(36,123)	(30,843)	(7,690)	(355,582)
Gross outstanding claims liabilities	–	606	225	575	879	2,699	19,564	13,817	29,605	49,505	117,475
Gross outstanding claims liabilities prior to 2016											–
Claims handling expenses											4,380
Outstanding claims payables											3,094
Others											1,077
Total best estimate of gross claims liabilities											126,026
Effect of discounting											(4,143)
Effect of the risk adjustment margin for non-financial risk											15,024
Total gross liabilities for incurred claims											136,907

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5. Claims development (continued)

Analysis of claims development - Net of reinsurance contract held

Accident Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Estimate of cumulative claims											
At the end of accident year	18,414	33,962	43,426	41,529	39,539	34,994	36,819	41,004	41,835	44,401	
One year later	20,678	44,066	45,939	35,499	32,363	29,507	32,975	39,831	41,971		
Two years later	21,283	44,856	42,590	34,396	28,124	28,584	29,322	35,136			
Three years later	21,528	44,708	41,644	33,731	28,242	29,726	28,822				
Four years later	21,309	46,013	41,188	31,938	28,751	29,793					
Five years later	21,404	45,940	40,341	31,611	28,433						
Six years later	21,356	46,202	40,369	31,399							
Seven years later	21,337	45,977	41,110								
Eight years later	21,315	45,705									
Nine years later	21,304										
Current estimate of ultimate claims	21,304	45,705	41,110	31,399	28,433	29,793	28,822	35,136	41,971	44,401	348,074
Cumulative payments to-date	(21,304)	(45,177)	(40,938)	(30,916)	(27,695)	(27,753)	(23,247)	(24,932)	(21,455)	(5,523)	(268,940)
Net outstanding claims liabilities	–	528	172	483	738	2,040	5,575	10,204	20,516	38,878	79,134
Net outstanding claims liabilities prior to 2016											–
Claims handling expenses											4,380
Outstanding claims payables – net of recoveries											(12,188)
Others											1,077
Total best estimate of net claims liabilities											72,403
Effect of discounting											(3,476)
Effect of the risk adjustment margin for non-financial risk											9,323
Total net liabilities for incurred claims											78,250

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6. Insurance and reinsurance contracts

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

	2025			2024		
	Assets S$'000	Liabilities S$'000	Net S$'000	Assets S$'000	Liabilities S$'000	Net S$'000
Insurance contracts issued	–	127,345	(127,345)	–	114,577	(114,577)
Reinsurance contracts held	62,425	2,738	59,687	39,977	3,229	36,748

6.1 *Analysis by remaining coverage and incurred claims*

6.1.1 *Insurance contracts*

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the tables below:

		2025			
		Liability for remaining coverage			
S$'000	Notes	Excluding loss component	Loss component	Liability for incurred claims	Total
Insurance contract liabilities as at 1 January		**(8,865)**	**1,242**	**122,200**	**114,577**
Changes in the statement of comprehensive income					
Insurance revenue	12	**(140,172)**	**–**	**–**	**(140,172)**
Insurance service expenses:					
- Incurred claims and other insurance service expenses		–	(1,359)	72,401	71,042
- Changes that relate to past service – Adjustments to LIC		–	–	(209)	(209)
- Losses and reversal of losses on onerous contracts		–	849	–	849
- Amortisation of insurance acquisition cash flows	13	37,453	–	–	37,453
Total insurance service expenses	13	37,453	(510)	72,192	109,135
Insurance service result		**(102,719)**	**(510)**	**72,192**	**(31,037)**
Finance expenses from insurance contracts issued		998	22	4,866	5,886
Effect of movements in exchange rates	17	1,345	(10)	1,711	3,046
Total changes in the statement of comprehensive income		**(100,376)**	**(498)**	**78,769**	**(22,105)**
Cash flows:					
- Premiums received		135,680	–	–	135,680
- Claims and other insurance service expenses paid		–	–	(64,062)	(64,062)
- Insurance acquisition cash flows		(36,745)	–	–	(36,745)
Total cash flows		**98,935**	**–**	**(64,062)**	**34,873**
Insurance contract liabilities as at 31 December		**(10,306)**	**744**	**136,907**	**127,345**

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6. Insurance and reinsurance contracts (continued)

6.1 *Analysis by remaining coverage and incurred claims (continued)*

6.1.1 *Insurance contracts (continued)*

		2024			
		Liability for remaining coverage			
S$'000	Notes	Excluding loss component	Loss component	Liability for incurred claims	Total
Insurance contract liabilities as at 1 January		**2,757**	**926**	**106,890**	**110,573**
Changes in the statement of comprehensive income					
Insurance revenue	12	**(135,910)**	**–**	**–**	**(135,910)**
Insurance service expenses:					
- Incurred claims and other insurance service expenses		–	(4,273)	67,385	63,112
- Changes that relate to past service – Adjustments to LIC		–	–	(14,615)	(14,615)
- Losses and reversal of losses on onerous contracts		–	4,633	–	4,633
- Amortisation of insurance acquisition cash flows	13	35,744	–	–	35,744
Total insurance service expenses	13	35,744	360	52,770	88,874
Insurance service result		**(100,166)**	**360**	**52,770**	**(47,036)**
Finance expenses/(income) from insurance contracts issued		1,266	(62)	2,600	3,804
Effect of movements in exchange rates	17	(1,332)	18	(227)	(1,541)
Total changes in the statement of comprehensive income		**(100,232)**	**316**	**55,143**	**(44,773)**
Cash flows:					
- Premiums received		119,010	–	–	119,010
- Claims and other insurance service expenses paid		–	–	(39,833)	(39,833)
- Insurance acquisition cash flows		(30,400)	–	–	(30,400)
Total cash flows		**88,610**	**–**	**(39,833)**	**48,777**
Insurance contract liabilities as at 31 December		**(8,865)**	**1,242**	**122,200**	**114,577**

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6. Insurance and reinsurance contracts (continued)

6.1 *Analysis by remaining coverage and incurred claims (continued)*

6.1.2 *Reinsurance contracts*

The roll-forward of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims arising from business ceded to reinsurers is disclosed in the tables below:

		2025			
		Assets for remaining coverage			
S$'000	Notes	Excluding loss-recovery component	Loss-recovery component	Assets for incurred claims	Total
Reinsurance contract assets as at 1 January		1,911	(218)	(41,670)	(39,977)
Reinsurance contract liabilities as at 1 January		6,023	(4)	(2,790)	3,229
Net balance as at 1 January		**7,934**	**(222)**	**(44,460)**	**(36,748)**
Changes in the statement of comprehensive income					
Allocation of reinsurance premiums paid	12	25,646	–	–	25,646
Amounts recoverable from reinsurers					
- Recoveries of incurred claims and other insurance service expenses		–	242	(27,462)	(27,220)
- Recoveries and reversals of recoveries of losses on onerous underlying contracts		–	(263)	–	(263)
- Adjustments to assets for incurred claims		–	–	(246)	(246)
Total amounts recoverable from reinsurers		–	(21)	(27,708)	(27,729)
Investment components and premium refunds		125	–	(125)	–
Net expenses/(income) from reinsurance contracts held		**25,771**	**(21)**	**(27,833)**	**(2,083)**
Finance (income)/expenses from reinsurance contracts held		(528)	1	(1,014)	(1,541)
Effect of movements in exchange rates	17	(94)	4	(595)	(685)
Total changes in the statement of comprehensive income		**25,149**	**(16)**	**(29,442)**	**(4,309)**
Cash flows:					
- Premiums paid		(33,875)	–	–	(33,875)
- Amounts received		–	–	15,245	15,245
Total cash flows		**(33,875)**	**–**	**15,245**	**(18,630)**
Reinsurance contract assets as at 31 December		(3,828)	(206)	(58,391)	(62,425)
Reinsurance contract liabilities as at 31 December		3,036	(32)	(266)	2,738
Net balance as at 31 December		**(792)**	**(238)**	**(58,657)**	**(59,687)**

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6. Insurance and reinsurance contracts (continued)

6.1 *Analysis by remaining coverage and incurred claims (continued)*

6.1.2 *Reinsurance contracts (continued)*

		2024			
		Assets for remaining coverage			
S$'000	Notes	Excluding loss-recovery component	Loss-recovery component	Assets for incurred claims	Total
Reinsurance contract assets as at 1 January		3,405	(85)	(42,471)	(39,151)
Reinsurance contract liabilities as at 1 January		3,005	(6)	(400)	2,599
Net balance as at 1 January		**6,410**	**(91)**	**(42,871)**	**(36,552)**
Changes in the statement of comprehensive income					
Allocation of reinsurance premiums paid	12	34,190	–	–	34,190
Amounts recoverable from reinsurers					
- Recoveries of incurred claims and other insurance service expenses		–	162	(19,110)	(18,948)
- Recoveries and reversals of recoveries of losses on onerous underlying contracts		–	(304)	–	(304)
- Adjustments to assets for incurred claims		–	–	10,365	10,365
Total amounts recoverable from reinsurers		–	(142)	(8,745)	(8,887)
Investment components and premium refunds		248	–	(248)	–
Net expenses/(income) from reinsurance contracts held		**34,438**	**(142)**	**(8,993)**	**25,303**
Finance (income)/expenses from reinsurance contracts held		(533)	11	(744)	(1,266)
Effect of movements in exchange rates	17	(2,427)	–	42	(2,385)
Total changes in the statement of comprehensive income		**31,478**	**(131)**	**(9,695)**	**21,652**
Cash flows:					
- Premiums paid		(29,954)	–	–	(29,954)
- Amounts received		–	–	8,106	8,106
Total cash flows		**(29,954)**	**–**	**8,106**	**(21,848)**
Reinsurance contract assets as at 31 December		1,911	(218)	(41,670)	(39,977)
Reinsurance contract liabilities as at 31 December		6,023	(4)	(2,790)	3,229
Net balance as at 31 December		**7,934**	**(222)**	**(44,460)**	**(36,748)**

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6. Insurance and reinsurance contracts (continued)

6.2 *Analysis by measurement component*

6.2.1 *Insurance contracts*

The tables below present a roll-forward of the net asset or liability for insurance contracts issued showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2025			
S$'000	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities as at 1 January		**88,442**	**15,711**	**10,424**	**114,577**
Changes in the statement of comprehensive income					
Changes that relate to current services					
- CSM recognised for services provided	12	–	–	(25,641)	(25,641)
- Change in risk adjustment for non-financial risk for risk expired	12	–	(8,378)	–	(8,378)
- Experience adjustments		(3,978)	6,320	–	2,342
		(3,978)	(2,058)	(25,641)	(31,677)
Changes that relate to future services					
- Contracts initially recognised in the year		(34,574)	9,021	26,069	516
- Changes in estimates that adjust the CSM		1,658	34	(1,692)	–
- Changes in estimates that result in losses and reversals of losses on onerous contracts		287	46	–	333
		(32,629)	9,101	24,377	849
Changes that relate to past services					
- Adjustments to liabilities for incurred claims		3,953	(4,162)	–	(209)
		3,953	(4,162)	–	(209)
Insurance service result		(32,654)	2,881	(1,264)	(31,037)
Finance expenses from insurance contracts issued		4,971	–	915	5,886
Effect of movements in exchange rates	17	3,046	–	–	3,046
Total changes in the statement of comprehensive income		**(24,637)**	**2,881**	**(349)**	**(22,105)**
Cash flows:					
- Premiums received		135,680	–	–	135,680
- Claims and other insurance service expenses paid		(64,062)	–	–	(64,062)
- Insurance acquisition cash flows		(36,745)	–	–	(36,745)
Total cash flows		**34,873**	**–**	**–**	**34,873**
Insurance contract liabilities as at 31 December		**98,678**	**18,592**	**10,075**	**127,345**

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6. Insurance and reinsurance contracts (continued)

6.2 *Analysis by measurement component (continued)*

6.2.1 *Insurance contracts (continued)*

		2024			
S$'000	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Insurance contract liabilities as at 1 January		**81,210**	**13,464**	**15,899**	**110,573**
Changes in the statement of comprehensive income					
Changes that relate to current services					
- CSM recognised for services provided	12	–	–	(32,455)	(32,455)
- Change in risk adjustment for non-financial risk for risk expired	12	–	(6,977)	–	(6,977)
- Experience adjustments		(3,865)	6,243	–	2,378
		(3,865)	(734)	(32,455)	(37,054)
Changes that relate to future services					
- Contracts initially recognised in the year		(32,555)	7,139	25,828	412
- Changes in estimates that adjust the CSM		857	(655)	(202)	–
- Changes in estimates that result in losses and reversals of losses on onerous contracts		3,912	309	–	4,221
		(27,786)	6,793	25,626	4,633
Changes that relate to past services					
- Adjustments to liabilities for incurred claims		(10,803)	(3,812)	–	(14,615)
		(10,803)	(3,812)	–	(14,615)
Insurance service result		(42,454)	2,247	(6,829)	(47,036)
Finance expenses from insurance contracts issued		2,450	–	1,354	3,804
Effect of movements in exchange rates	17	(1,541)	–	–	(1,541)
Total changes in the statement of comprehensive income		**(41,545)**	**2,247**	**(5,475)**	**(44,773)**
Cash flows:					
- Premiums received		119,010	–	–	119,010
- Claims and other insurance expenses paid		(39,833)	–	–	(39,833)
- Insurance acquisition cash flows		(30,400)	–	–	(30,400)
Total cash flows		**48,777**	**–**	**–**	**48,777**
Insurance contract liabilities as at 31 December		**88,442**	**15,711**	**10,424**	**114,577**

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6. Insurance and reinsurance contracts (continued)

6.2 *Analysis by measurement component (continued)*

6.2.2 *Reinsurance contracts*

The tables below present a roll-forward of the net asset or liability for reinsurance contracts held showing estimates of the present value of future cash flows, risk adjustment and CSM.

		2025			
S$'000	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Reinsurance contract asset as at 1 January		(30,525)	(5,929)	(3,523)	(39,977)
Reinsurance contract liabilities as at 1 January		3,966	(176)	(561)	3,229
Net balance as at 1 January		**(26,559)**	**(6,105)**	**(4,084)**	**(36,748)**
Changes in the statement of comprehensive income					
Changes that relate to current services					
- CSM recognised for services provided	12	–	–	8,107	8,107
- Change in risk adjustment for non-financial risk for risk expired	12	–	2,836	–	2,836
- Experience adjustments		(10,960)	(1,557)	–	(12,517)
		(10,960)	1,279	8,107	(1,574)
Changes that relate to future services					
- Contracts initially recognised in the year		11,998	(2,966)	(9,156)	(124)
- Changes in estimates that adjust the CSM		(1,481)	(571)	1,774	(278)
- Changes in estimates that result in losses and reversals of losses on onerous underlying contracts		129	10	–	139
		10,646	(3,527)	(7,382)	(263)
Changes that relate to past services					
- Adjustments to liabilities for incurred claims		(512)	266	–	(246)
		(512)	266	–	(246)
Net income from reinsurance contracts held		(826)	(1,982)	725	(2,083)
Finance income from reinsurance contracts held		(1,169)	–	(372)	(1,541)
Effect of movements in exchange rates	17	(689)	–	4	(685)
Total changes in the statement of comprehensive income		**(2,684)**	**(1,982)**	**357**	**(4,309)**
Cash flows:					
- Premiums paid		(33,875)	–	–	(33,875)
- Amounts received		15,245	–	–	15,245
Total cash flows		**(18,630)**	**–**	**–**	**(18,630)**
Reinsurance contract assets as at 31 December		(51,398)	(7,969)	(3,058)	(62,425)
Reinsurance contract liabilities as at 31 December		3,525	(118)	(669)	2,738
Net balance as at 31 December		**(47,873)**	**(8,087)**	**(3,727)**	**(59,687)**

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6. Insurance and reinsurance contracts (continued)

6.2 *Analysis by measurement component (continued)*

6.2.2 *Reinsurance contracts (continued)*

		2024			
S$'000	Notes	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contractual service margin	Total
Reinsurance contract asset as at 1 January		(30,383)	(4,470)	(4,298)	(39,151)
Reinsurance contract liabilities as at 1 January		3,180	(175)	(406)	2,599
Net balance as at 1 January		**(27,203)**	**(4,645)**	**(4,704)**	**(36,552)**
Changes in the statement of comprehensive income					
Changes that relate to current services					
- CSM recognised for services provided	12	–	–	13,466	13,466
- Change in risk adjustment for non-financial risk for risk expired	12	–	3,538	–	3,538
- Experience adjustments		(472)	(1,290)	–	(1,762)
		(472)	2,248	13,466	15,242
Changes that relate to future services					
- Contracts initially recognised in the year		13,414	(2,529)	(11,012)	(127)
- Changes in estimates that adjust the CSM		2,954	(1,791)	(1,340)	(177)
- Changes in estimates that result in losses and reversals of losses on onerous underlying contracts		–	–	–	–
		16,368	(4,320)	(12,352)	(304)
Changes that relate to past services					
- Adjustments to liabilities for incurred claims		9,753	612	–	10,365
		9,753	612	–	10,365
Net expenses/(income) from reinsurance contracts held		25,649	(1,460)	1,114	25,303
Finance income from reinsurance contracts held		(772)	–	(494)	(1,266)
Effect of movements in exchange rates	17	(2,385)	–	–	(2,385)
Total changes in the statement of comprehensive income		**22,492**	**(1,460)**	**620**	**21,652**
Cash flows:					
- Premiums paid		(29,954)	–	–	(29,954)
- Amounts received		8,106	–	–	8,106
Total cash flows		**(21,848)**	**–**	**–**	**(21,848)**
Reinsurance contract assets as at 31 December		(30,525)	(5,929)	(3,523)	(39,977)
Reinsurance contract liabilities as at 31 December		3,966	(176)	(561)	3,229
Net balance as at 31 December		**(26,559)**	**(6,105)**	**(4,084)**	**(36,748)**

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6. Insurance and reinsurance contracts (continued)

6.3 *Effect of contracts initially recognised in the year*

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance.

6.3.1 *Insurance contracts*

	2025			2024		
S$'000	Profitable contracts issued	Onerous contracts issued	Total	Profitable contracts issued	Onerous contracts issued	Total
Estimates of the present value of future cash outflows						
- Insurance acquisition cash flows	35,079	1,057	36,136	29,101	949	30,050
- Claims and other directly attributable expenses	57,181	3,104	60,285	48,952	3,051	52,003
Estimates of the present value of future cash outflows	92,260	4,161	96,421	78,053	4,000	82,053
Estimates of the present value of future cash inflows	(126,847)	(4,148)	(130,995)	(110,625)	(3,983)	(114,608)
Risk adjustment for non-financial risk	8,518	503	9,021	6,744	395	7,139
CSM	26,069	–	26,069	25,828	–	25,828
Increase in insurance contract liabilities from contracts recognised in the period	**–**	**516**	**516**	**–**	**412**	**412**

6.3.2 *Reinsurance contracts*

	2025			2024		
S$'000	Contracts initiated without loss-recovery component	Contracts initiated with loss-recovery component	Total	Contracts initiated without loss-recovery component	Contracts Initiated with loss-recovery component	Total
Estimates of the present value of future cash outflows	3,778	30,624	34,402	32	31,840	31,872
Estimates of the present value of future cash inflows	(3,267)	(19,137)	(22,404)	(29)	(18,429)	(18,458)
Risk adjustment for non-financial risk	(507)	(2,459)	(2,966)	(5)	(2,524)	(2,529)
CSM	(4)	(9,152)	(9,156)	2	(11,014)	(11,012)
Increase in reinsurance contract assets from contracts recognised in the period	**–**	**(124)**	(124)	**–**	**(127)**	**(127)**

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7. Other receivables

	2025 S$'000	2024 S$'000
Security deposits	544	544
Prepayments	104	48
Interest receivable from fixed deposits	361	402
Accrued interest from debt instruments at FVOCI	554	396
Other receivables	520	547
	2,083	1,937

Other receivables which are denominated in foreign currencies are disclosed in Note 21.4.

8. Cash and cash equivalents

	2025 S$'000	2024 S$'000
Deposits	107,558	93,534
Cash at banks	26,811	30,421
Cash in hand	1	1
	134,370	123,956

The deposits bear interest rates ranging from 1.20% to 3.98% per annum (2024: 3.66% to 4.60% per annum) and mature within 3 months from placement date.

Cash at banks represent non-interest-bearing current accounts.

Cash and cash equivalents which are denominated in foreign currencies are disclosed in Note 21.4.

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9. Investments

Debt instruments at FVOCI

	2025 S$'000	2024 S$'000
At beginning of financial year	105,514	101,044
Additions	73,844	46,919
Redemptions	(72,988)	(45,346)
Accretion/(amortisation)	626	(665)
Foreign exchange (loss)/gain	(1,588)	2,407
Fair value gain recognised in other comprehensive income	1,116	1,155
At end of financial year	106,524	105,514
Less: Current portion	(46,641)	(63,120)
Non-current portion	59,883	42,394

The debt instruments at FVOCI comprise debt securities which bear a weighted average interest rate of 2.96% per annum (2024: 2.59% per annum) with maturity dates from January 2026 to September 2030 (2024: February 2025 to July 2029).

Debt instruments at FVOCI which are denominated in foreign currencies are disclosed in Note 21.4.

10. Other creditors and accruals

	2025 S$'000	2024 S$'000
Other creditors	1,542	1,174
Accrued operating expenses	4,696	3,174
GST payable	269	200
	6,507	4,548

Other creditors include provision for reinstatement cost amounting to S$463,000 (2024: S$269,000) which has also been included in right-of-use assets (Note 15).

Other creditors and accruals which are denominated in foreign currencies are disclosed in Note 21.4.

11. Head office account

There was no fund injection from head office for the financial year ended 31 December 2025 (2024: nil).

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12. Insurance revenue and allocation of reinsurance premiums paid

The tables below presents an analysis of the total insurance revenue and allocation of reinsurance premiums paid recognised in the period:

	Notes	2025 S$'000	2024 S$'000
Insurance revenue			
Amount relating to the changes in the LFRC			
- Expected (incurred claims and other) insurance service expenses incurred in the period		57,162	52,469
- Change in the risk adjustment for non-financial risk	6.2.1	8,378	6,977
- Amount of CSM recognised in profit or loss	6.2.1	25,641	32,455
- Experience adjustments e.g. premiums received and insurance acquisition cash flows in the period other than those that relate to future service		11,538	8,265
Amount relating to recovery of insurance acquisition cash flows			
- Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows		37,453	35,744
Total insurance revenue		**140,172**	**135,910**
Allocation of reinsurance premiums paid			
Amount relating to the changes in the remaining coverage			
- Expected incurred claims and other directly attributable expenses recovery		(11,789)	(16,841)
- Change in the risk adjustment for non-financial risk	6.2.2	(2,836)	(3,538)
- Amount of CSM recognised in profit or loss	6.2.2	(8,107)	(13,466)
- Experience adjustments e.g. ceded premiums paid in the period other than those that relate to future service		(2,914)	(345)
Total allocation of reinsurance premiums paid		**(25,646)**	(34,190)

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13. Insurance service expenses and other operating expenses

	2025 S$'000	2024 S$'000
Insurance service expenses and other operating expenses		
- Salaries and bonuses *	15,640	12,470
- CPF contributions	1,361	1,109
- Allowances and other staff-related expenses	962	946
- Legal and professional fees	1,943	1,968
- License and association fees	114	116
- Management fees	1,093	1,003
- Other operating expenses	1,389	1,482
- IT-related expenses	2,088	2,213
Depreciation on		
- Plant and equipment (Note 4)	1,047	1,312
- Right-of-use assets (Note 15)	1,905	1,971
Finance cost	408	328
Claims and benefits	70,833	48,497
Losses on onerous insurance contracts	849	4,633
Fees and commission	950	480
Amounts attributable to insurance acquisition cash flows incurred during the year	(22,524)	(19,727)
Amortisation of insurance acquisition cash flows (Note 6.1.1)	37,453	35,744
	115,511	94,545
Represented by:		
- Insurance service expenses	109,135	88,874
- Other operating expenses	6,376	5,671
	115,511	94,545

* Included within the salaries and bonuses expense are the government grants disclosed in Note 18.

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14. Income tax

14.1 *Income tax expense*

	2025 S$'000	2024 S$'000
Tax expense attributable to profit is made up of:		
- Current income tax (Singapore)	–	–
- Deferred income tax (Note 19)	2,307	–
	2,307	–

The tax on the Branch's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2025 S$'000	2024 S$'000
Profit before tax	18,173	27,111
Tax at statutory tax rate of 17% (2024: 17%)	3,089	4,609
Effects of:		
- Expenses not deductible for tax purposes	205	423
- Effect of income brought to tax at 10%	(45)	–
- Income not subject to tax	–	(1,464)
- Utilisation of previously unrecognised tax losses	–	(2,817)
- Utilisation of previously unrecognised capital allowances	(1,629)	–
- Non-taxable movements in net insurance contract liabilities	(1,620)	–
- Others	–	(751)
- Pillar Two and qualifying domestic top-up taxes (Note 14.2)	–	–
Tax charge	–	–

During the current year, the Branch has utilised S$1,629,000 of previously unrecognised deferred tax asset. After the utilisation, a net deferred tax liability of S$2,307,000 should be recognised on the temporary differences. Refer to Note 19 for more details.

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14. Income tax (continued)

14.2 *OECD Pillar Two model rules*

The Branch is within the scope of the Organization for Economic Cooperation and Development (OECD) Pillar Two model rules, and it applies the FRS 12 Income Taxes exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The Branch is part of American Financial Group, Inc. and its subsidiaries ("the Group"), which fall within the scope of the OECD Pillar Two model rules. Singapore has enacted the Pillar Two legislation and implemented the Income Inclusion Rule ("IIR") and a Domestic Minimum Top-up Tax ("DTT"), effective from 1 January 2025. Under this legislation, the Group is liable to pay a top-up tax on excess profits (as defined) equal to the difference between its Global Anti-Base Erosion ("GloBE") effective tax rate in each jurisdiction and the 15% minimum rate

The Branch is liable to DTT effective from 1 January 2025. Based on management's assessment, the effective tax rate for the annual financial year ended 31 December 2025 is more than the 15% minimum rate and hence, the Branch did not recognise any DTT for the year.

15. Leases

The Branch has lease contracts for property and office equipment used in its operations. The lease of property has a lease term of 3 years, while lease of office equipment has a lease term of 3 years. The Branch also has certain leases of office equipment with lease terms of 12 months or less, or with low value. The Branch applies the “short-term lease” and “lease of low-value assets” recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Property S$’000	**Office equipment** S$’000	**Total** S$’000
2025			
Beginning of financial year	7,181	48	7,229
Additions	194	–	194
Depreciation charge	(1,872)	(33)	(1,905)
End of financial year	**5,503**	**15**	**5,518**
2024			
Beginning of financial year	762	–	762
Additions	8,351	87	8,438
Depreciation charge	(1,932)	(39)	(1,971)
End of financial year	**7,181**	**48**	**7,229**

In 2025, the increase in the right-of-use asset relates to the remeasurement of the provision of reinstatement cost arising from updated cost estimates and extended office space in the prior year.

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15. Leases (continued)

The movement in lease liabilities are as follows:

	2025 S$'000	2024 S$'000
Beginning of financial year	7,650	657
Payments	(2,158)	(1,773)
Finance cost	408	328
Additions	–	8,438
End of financial year	**5,900**	**7,650**

The following are the amounts recognised in the statement of comprehensive income:

	2025 S$'000	2024 S$'000
Depreciation of right-of-use assets	1,905	1,971
Finance cost	408	328
	2,313	**2,299**

The following are the amounts recognised in the statement of cash flows:

	2025 S$'000	2024 S$'000
Total cash outflows for leases		
- Payment of principal portion of lease liabilities	1,750	1,445
- Finance cost paid	408	328

The maturity analysis of lease liabilities is disclosed in Note 21.1.

Included within the cost of right-of-use assets is reinstatement cost of S$463,000 (2024: S$269,000) (Note 10).

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16. Expected recognition of the contractual service margin

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

Number of years until expected to be recognised	As at 31 December 2025 S$'000	As at 31 December 2024 S$'000
Insurance contracts issued		
< 1 year	9,009	9,577
1 – 2	491	384
2 – 3	209	248
3 – 4	146	97
4 – 5	98	62
> 5	122	56
Total	**10,075**	**10,424**
Reinsurance contracts held		
< 1 year	(3,538)	(3,810)
1 – 2	(145)	(196)
2 – 3	(23)	(45)
3 – 4	(11)	(20)
4 – 5	(6)	(10)
> 5	(4)	(3)
Total	**(3,727)**	**(4,084)**

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17. Net investment income and net insurance finance income/(expenses)

The Branch's net investment income and net insurance finance income/(expenses) consists of the following:

	2025 S$'000	2024 S$'000
Net investment income:		
Interest income from:		
- Debt instruments at FVOCI	2,687	1,079
- Cash and cash equivalents	4,073	3,718
Investment income	6,760	4,797
- Impairment reversal/(charge) on debt instruments at FVOCI	25	(1)
Total net investment income recognised in profit or loss	**6,785**	**4,796**
Net finance (expenses)/income from insurance contracts issued:		
- Interest accreted	(4,478)	(4,415)
- Due to changes in interest rates and other financial assumptions	(1,408)	611
- Net foreign exchange (expense)/income	(3,046)	1,541
Total net finance expenses from insurance contracts issued	**(8,932)**	**(2,263)**
Net finance income/(expenses) from reinsurance contracts held:		
- Interest accreted	1,103	1,332
- Due to changes in interest rates and other financial assumptions	438	(66)
- Net foreign exchange income	685	2,385
Total net finance income from reinsurance contracts	**2,226**	**3,651**
Net insurance finance (expenses)/income recognised in profit or loss	**(6,706)**	**1,388**

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18. Government grants

The Branch received grants from Singapore Government under Wage Credit Scheme ("WCS") to co-fund wage increase given to employees. The grant income under the WCS amounting to S$5,000 (2024: S$5,715) has been presented as a deduction against the salary and bonus expenses (Note 13).

	2025 S$'000	2024 S$'000
At beginning of financial year	–	–
Salary grant received	5	6
Charged to profit or loss	(5)	(6)
At end of financial year	–	–

19. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2025 S$'000	2024 S$'000
Deferred tax assets	1,292	–
Deferred tax liabilities	(3,599)	–
Net deferred tax liabilities	**(2,307)**	–

The movement in the net deferred income tax account is as follows:

	2025 S$'000	2024 S$'000
Beginning of financial year	–	–
Tax charged to (Note 14.1):		
- Profit or loss	2,307	–
End of financial year	**2,307**	**–**

The Branch is recognising deferred tax liability on the difference between the MAS returns basis and the FRS reporting basis which amounted to S$2,307,000.

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19. Deferred income taxes (continued)

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Deferred income tax assets

	Provision S$'000	Tax losses S$'000	Lease liabilities S$'000	Others S$'000	Total S$'000
2025					
Beginning of financial year	–	–	–	–	–
Charged to profit or loss	90	382	1,003	755	2,230
End of financial year	**90**	**382**	**1,003**	**755**	**2,230**

Deferred income tax liabilities

	Right-of-use assets S$'000	Others S$'000	Total S$'000
2025			
Beginning of financial year	–	–	–
Credited to profit or loss	(938)	(3,599)	(4,537)
End of financial year	**(938)**	**(3,599)**	**(4,537)**

20. Significant related party transactions

In addition to the transactions detailed elsewhere in the financial statements, during the financial year, the significant transactions between the Branch and related parties were as follows:

	2025 S$'000	2024 S$'000
Head office:		
Reimbursement of IT charges	951	837

Amounts due to head office were unsecured, interest-free and were repayable on demand. There is an outstanding amount of S$155,000 due to related party as at 31 December 2025 (2024: S$71,000).

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20. Significant related party transactions (continued)

Key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Branch either directly or indirectly. The key management personnel compensation includes salary, bonus and other benefits computed based on the costs incurred by the Branch.

Key management personnel compensation is as follows:

	2025 S$'000	2024 S$'000
Salaries and other remunerations	1,819	1,689

21. Financial and insurance risk management objectives and policies

The Branch's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Branch's business whilst managing its liquidity, credit, interest rate, foreign currency, operational and insurance risks. The Branch operates within clearly defined guidelines approved by the Head Office and the Branch's policy is not to engage in speculative transactions. There has been no change to the Branch's exposure to these financial and insurance risks or the manner in which it manages and measures the risks.

21.1 *Liquidity risk*

Liquidity risk is the risk that an entity will encounter difficulty in meeting its contractual obligations as they become due because of the inability to liquidate assets or obtain adequate funding without incurring unacceptable losses.

The Branch manages its operating cash flows and the availability of funding to ensure that repayment and funding obligations are met. As part of its overall prudent liquidity management, the Branch maintains sufficient levels of cash to meet its working capital requirements.

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21. Financial and insurance risk management objectives and policies (continued)

21.1 *Liquidity risk (continued)*

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Branch's financial assets and financial liabilities excluding prepayments at the end of the reporting period based on contractual maturities or expected repayment dates.

		Undiscounted cash flows			
	Carrying amount S$'000	**Within 1 year** S$'000	**1 - 3 years** S$'000	**Above 3 years** S$'000	**Total** S$'000
At 31 December 2025					
Financial assets:					
Other receivables excluding prepayments	1,979	1,435	13	531	1,979
Cash and cash equivalents	134,370	134,370	–	–	134,370
Total financial assets at amortised cost	136,349	135,805	13	531	136,349
Debt instruments at FVOCI	106,524	46,028	12,669	47,537	106,234
Total financial assets	242,873	181,833	12,682	48,068	242,583
Financial liabilities:					
Other creditors and accruals excluding GST payable and provision for reinstatement cost	5,775	5,775	–	–	5,775
Lease liabilities	5,900	2,137	4,240	85	6,462
Total financial liabilities at amortised cost	11,675	7,912	4,240	85	12,237
At 31 December 2024					
Financial assets:					
Other receivables excluding prepayments	1,889	1,345	544	–	1,889
Cash and cash equivalents	123,956	123,956	–	–	123,956
Total financial assets at amortised cost	125,845	125,301	544	–	125,845
Debt instruments at FVOCI	105,514	63,407	23,941	19,086	106,434
Total financial assets	231,359	188,708	24,485	19,086	232,279
Financial liabilities:					
Other creditors and accruals excluding GST payable and provision for reinstatement cost	4,079	4,079	–	–	4,079
Lease liabilities	7,650	2,153	6,377	85	8,615
Total financial liabilities at amortised cost	11,729	6,232	6,377	85	12,694

Financial assets and liabilities up to 1 year maturity are current assets and current liabilities respectively.

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21. Financial and insurance risk management objectives and policies (continued)

21.1 *Liquidity risk (continued)*

Maturity profiles

The following table presents the earliest contractual settlement dates of the Branch's estimated settlement pattern of the Branch's insurance and reinsurance contract liabilities as at 31 December:

		Undiscounted cash flows						
S$'000	Carrying amount - Contractual cash flows	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	More than 5 years	Total
As at 31 December 2025								
- Insurance contract liabilities	98,678	25,638	39,765	19,534	12,499	4,925	2,189	104,550
- Reinsurance contract liabilities	3,525	3,525	(39)	(46)	10	(3)	4	3,451
	102,203	29,163	39,726	19,488	12,509	4,922	2,193	108,001
As at 31 December 2024								
- Insurance contract liabilities	88,442	26,821	36,629	17,937	7,160	4,114	2,131	94,792
- Reinsurance contract liabilities	3,966	3,995	(43)	(18)	3	–	–	3,937
	92,408	30,816	36,586	17,919	7,163	4,114	2,131	98,729

21.2 *Credit risk*

Credit risk refers to the risk that the counterparty default on its contractual obligations, resulting in financial loss to the Branch. Credit risks, or the counterparties defaulting risk, are controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored by strictly limiting the Branch's associations to business partners with high creditworthiness.

The Branch limits its exposure on securities investment by setting maximum duration of portfolio security holding and maximum portfolio with a single issuer or a Branch of issuers.

Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

The Branch believes that amounts that are past due are still collectible in full, based on historical payment trends, subsequent receipts and extensive analysis of customer credit risk.

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21. Financial and insurance risk management objectives and policies (continued)

21.2 *Credit risk (continued)*

The table below provides information regarding the credit risk exposure of the Branch by classifying financial assets and reinsurance contract assets not subjected to ECL according to the credit ratings of the counterparties.

	AAA	AA- to AA+	A- to A+	BBB	Not rated	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 31 December 2025						
Financial assets:						
Other receivables excluding prepayments	267	636	185	–	891	1,979
Cash and cash equivalents	–	84,602	49,767	–	1	134,370
Total financial assets at amortised cost	267	85,238	49,952	–	892	136,349
Debt instruments at FVOCI	62,561	43,963	–	–	–	106,524
Total financial assets	**62,828**	**129,201**	**49,952**	**–**	**892**	**242,873**
Reinsurance contract assets	–	**33,851**	**28,505**	**69**	–	**62,425**
At 31 December 2024						
Financial assets:						
Other receivables excluding prepayments	–	–	–	–	1,889	1,889
Cash and cash equivalents	–	83,047	40,908	–	1	123,956
Total financial assets at amortised cost	–	83,047	40,908	–	1,890	125,845
Debt instruments at FVOCI	105,514	–	–	–	–	105,514
Total financial assets	**105,514**	**83,047**	**40,908**	**–**	**1,890**	**231,359**
Reinsurance contract assets	**–**	**22,525**	**17,266**	**37**	**149**	**39,977**

Impairment assessment
The Branch's ECL assessment and measurement method is set out below.

Significant increase in credit risk, default and cure

The Branch continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Branch assesses whether there has been a significant increase in credit risk since initial recognition. The Branch considers that there has been a significant increase in credit risk when the credit ratings of the issuers or securities drop below "investment-grade".

The Branch considers a financial instrument defaulted and, therefore, credit-impaired for ECL calculations in all cases when the counterparty is unlikely to fulfil its credit obligations to it on the scheduled payment dates or more specifically when contractual payments are 90 days past due. However, in certain cases, the Branch may also consider a financial asset to be in default when internal or external information indicates that the Branch is unlikely to receive the outstanding contractual amounts. In such cases, the Branch recognises a lifetime ECL.

In rare cases when an instrument is identified as defaulted, it is the Branch's policy to consider a financial instrument as 'cured' and, therefore, re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

There has been no significant increase in credit risk or default for financial assets during the year.

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21. Financial and insurance risk management objectives and policies (continued)

21.2 *Credit risk (continued)*

Impairment assessment (continued)

Expected credit loss

The Branch assesses the possible default events within 12 months for the calculation of the 12mECL. In rare cases where a lifetime ECL is required to be calculated, the probability of default is estimated taking into account expected changes in the exposure after the reporting date.

21.2.1 *Debt instruments measured at FVOCI*

The Branch only owns financial investments that are of investment grade. An analysis of changes in the fair value and the corresponding ECLs is, as follows:

		2025		2024	
S$'000	Note	12mECL	Total	12mECL	Total
		S$'000	S$'000	S$'000	S$'000
Fair value as at 1 January	9	**105,514**	**105,514**	**101,044**	**101,044**
Additions		73,844	73,844	46,919	46,919
Redemptions		(72,988)	(72,988)	(45,346)	(45,346)
Accretion/(amortisation)		626	626	(665)	(665)
Foreign exchange (loss)/gain		(1,588)	(1,588)	2,407	2,407
Fair value gain recognised in other comprehensive income		1,116	1,116	1,155	1,155
At 31 December	9	**106,524**	**106,524**	**105,514**	**105,514**
ECL as at 1 January		**65**	**65**	**64**	**64**
(Decrease)/increase in ECL allowance		(25)	(25)	1	1
At 31 December		**40**	**40**	**65**	**65**

21.3 *Interest rate risk*

Interest rate risk is the risk that changes in the interest rates will have an adverse financial effect on the Branch's financial condition and/or results.

The Branch's exposure to interest rate risk relates primarily to cash flow interest rate risk and fair value interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances and debt instruments at FVOCI respectively.

The management considers the Branch's exposure of the short-term bank deposits to interest rate risk insignificant as interest bearing bank balances are within short maturity periods.

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21. Financial and insurance risk management objectives and policies (continued)

21.3 ***Interest rate risk*** (continued)

The following sensitivity analysis has been determined based on the exposure to interest rates for interest bearing bank balances at the reporting date and the stipulated changes taking place at the beginning of the financial year and held constant throughout the financial year.

If interest rates on interest bearing bank balances had been 50 basis points higher/lower and all other variables were held constant, the net profit before tax for the financial year ended 31 December 2025 would increase/decrease by approximately S$537,000 (2024: S$467,000).

The Branch currently has no borrowings and therefore, is not exposed to interest rate risk resulting from borrowings.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates. The Branch has no significant concentration of interest rate risk.

The Branch's interest-sensitive instruments are as follows:

	2025 S$'000	**2024** S$'000
Financial instruments - fixed rate		
Assets	106,524	105,514
Liabilities	–	–
	106,524	105,514

Sensitivity analysis

An analysis of the Branch's sensitivity to a 0.5% parallel increase or decrease in market interest rates at the reporting date, assuming that all other variables remain constant, is presented below:

	Profit or loss		**Equity**	
	Increase in interest rate S$'000	**Decrease in interest rate** S$'000	**Increase in interest rate** S$'000	**Decrease in interest rate** S$'000
31 December 2025				
Financial instruments	–	–	(1,695)	798
Insurance and reinsurance contracts	691	(702)	574	(583)
	691	(702)	(1,121)	215
31 December 2024				
Financial instruments	–	–	(1,775)	1,059
Insurance and reinsurance contracts	613	(623)	509	(517)
	613	(623)	(1,266)	542

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21. Financial and insurance risk management objectives and policies (continued)

21.4 *Foreign currency risk*

Foreign currency risk is the risk of loss resulting from changes in the exchange rates. Foreign currency risk is managed through risk limits and policies approved by the Branch.

The net unhedged financial assets and liabilities of the Branch as at the reporting date that are not denominated in their functional currency are as follows:

	Cash and cash equivalents S$'000	Debt instruments at FVOCI S$'000	Other receivables excluding prepayments S$'000	Other creditors and accruals excluding GST payable and provision for reinstatement cost S$'000	Lease liabilities S$'000	Net exposures S$'000
2025						
SGD	13,633	62,561	1,087	(5,374)	(5,900)	66,007
USD	120,737	43,963	892	(401)	–	165,191
	134,370	106,524	1,979	(5,775)	(5,900)	231,198
2024						
SGD	5,881	71,352	1,102	(3,863)	(7,650)	66,822
USD	118,075	34,162	787	(216)	–	152,808
	123,956	105,514	1,889	(4,079)	(7,650)	219,630

Sensitivity analysis

The following table demonstrates the sensitivity of the Branch's profit before tax and equity to a reasonably possible change in exchange rate of the following currency against the functional currency of the Branch, Singapore Dollars (S$).

	Profit before tax		Equity	
	Strengthening S$'000	**Weakening** S$'000	**Strengthening** S$'000	**Weakening** S$'000
31 December 2025				
USD/SGD				
(5% movement)				
Insurance contracts and reinsurance contracts	2,050	(2,050)	1,702	(1,702)
Financial assets and liabilities	8,260	(8,260)	6,856	(6,856)
31 December 2024				
USD/SGD				
(5% movement)				
Insurance contracts and reinsurance contracts	1,409	(1,409)	1,169	(1,169)
Financial assets and liabilities	7,640	(7,640)	6,341	(6,341)

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21. Financial and insurance risk management objectives and policies (continued)

21.5 ***Fair value measurements***

The following table presents assets measured at fair value and classified by level of the following fair value measurement hierarchy:

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

(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 - unobservable inputs for the asset or liability.

	Level 1	**Level 2**	**Level 3**	**Total**
2025	S$'000	S$'000	S$'000	S$'000
Assets - Debt instruments at FVOCI (Note 9)	106,524	–	–	106,524
2024				
Assets - Debt instruments at FVOCI (Note 9)	105,514	–	–	105,514

There has been no transfer between Level 1, Level 2 and Level 3 during the financial years ended 2025 and 2024.

Determination of fair value

(i) Fair value of financial instruments that are carried at fair value

Fair value of debt securities in level 1 is determined by direct reference to their bid price quotations in an active market at the reporting date.

(ii) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents (Note 8), other receivables excluding prepayments (Note 7), and other creditors, accruals excluding GST payable and provision for reinstatement cost (Note 10) and lease liabilities (Note 15) are reasonable approximation of fair values due to their short-term nature.

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21. Financial and insurance risk management objectives and policies (continued)

21.6 *Operational risk*

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. When controls fail, operational risks can cause reputational damage and will have legal or regulatory implications which may lead to financial loss.

The Branch has implemented a robust control framework through its Enterprise Risk Management framework. The Risk Management and Compliance department monitors, responds and manages the potential risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training, self-review and evaluation procedures.

Business risks, such as, changes in environment, technology and the industry are monitored through the Branch's strategic planning and budgeting process and the risk management framework.

21.7 *Insurance risk*

Insurance risk is the risk of variations in the timing, frequency and severity of insured events and claims settlements, relative to the expectations at the time of underwriting. The Branch faces the possibility of incurring higher claims than expected owing to the nature of the claim, their frequency, the severity and the risk of legal or economic conditions changes or behavioural patterns affecting pricing and conditions of insurance or reinsurance cover.

The Branch manages its exposure to large losses and catastrophe events by purchasing various appropriate reinsurance covers.

The table below sets out the concentration of general insurance contracts both before and after reinsurance by line of business during the financial years ended 31 December 2025 and 2024.

	Insurance service result before reinsurance contract held S$'000	**Net expense from reinsurance contract held** S$'000	**Insurance service result** S$'000
2025			
Engineering	1,140	(81)	1,059
General liability	2,659	–	2,659
Marine cargo	16,836	(1,154)	15,682
Marine hull	(6,003)	8,634	2,631
Marine liability	3,754	(1,131)	2,623
Personal accident	602	–	602
Professional liability	(6,849)	(421)	(7,270)
Property & Home	182	(716)	(534)
Workmen compensation	2,238	1	2,239
Motor	637	–	637
Group Hospital & Surgical	60	–	60
Others	15,781	(3,049)	12,732
	31,037	**2,083**	**33,120**

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21. Financial and insurance risk management objectives and policies (continued)

21.7 *Insurance risk (continued)*

	Insurance service result before reinsurance contract held S$'000	Net expense from reinsurance contract held S$'000	Insurance service result S$'000
2024			
Engineering	90	(715)	(625)
General liability	1,732	(29)	1,703
Marine cargo	13,076	(3,677)	9,399
Marine hull	13,440	(10,030)	3,410
Marine liability	2,143	(782)	1,361
Personal accident	424	(9)	415
Professional liability	17,087	(7,336)	9,751
Property & Home	4,897	(5,562)	(665)
Workmen compensation	2,049	(61)	1,988
Motor	(20)	(17)	(37)
Group Hospital & Surgical	(28)	–	(28)
Others	(7,854)	2,915	(4,939)
	47,036	**(25,303)**	**21,733**

Key assumptions

The principal assumptions underlying the estimation of liabilities is that the Branch's future claims development will follow a similar pattern and industry statistics. This includes assumptions in respect of average claims costs, claim handling costs, claim inflation factors and average number of claims for each accident year.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example, isolated occurrence, changes in market factors such as public attitude to claiming, economic conditions, and internal factors, such as, portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors, such as judicial decisions and government legislation affect the estimates. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivity analysis of the key assumptions used in this estimation process is found in Note 3.2.2.

22. Capital management

The primary objective of the Branch's capital management is to safeguard the Branch's ability to continue as a going concern, to maintain healthy capital ratios and to provide an adequate return to the shareholders. The Branch's capital is represented by the amount in the head office account comprising the capital contribution from the head office offset by accumulated losses.

The Branch is required to satisfy the Fund Solvency and Capital Adequacy Requirements prescribed under the Singapore Insurance Act 1966. The Branch monitors its capital level on a regular basis to assess whether such requirements are met, and reports to the MAS its fund solvency and capital adequacy positions at each quarter and annually. The Branch has complied with the solvency requirements during the financial years ended 31 December 2025 and 2024.

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23. Authorisation of financial statements

The financial statements were authorised for issuance by the Chief Executive of the Branch on 30 April 2026.