

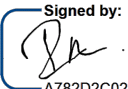
SWISS RE INTERNATIONAL SE
Singapore Branch
(Incorporated in Luxembourg)
Registration Number: T13FC0148H

Annual Report
Year ended 31 December 2025

Statement by Chief Executive

I, Robert Hunziker, the Chief Executive primarily responsible for the financial management of Swiss Re International SE, Singapore Branch, state that, in my opinion, the accompanying statement of comprehensive income arising out of operations in Singapore, statement of financial position arising out of operations in Singapore, statement of changes in head office account and statement of cash flows, together with the accompanying notes, as set out on pages FS1 to FS77 therein, are properly drawn up in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore 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 31 December 2025.

Signed by the Chief Executive

Signed by:

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Robert Hunziker
Chief Executive

22 April 2026



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Independent auditors' report

SWISS RE INTERNATIONAL SE
Singapore Operations

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Singapore Operations of Swiss Re International SE (the 'Branch'), pursuant to Section 373 of the Companies Act 1967 ('the Act'). These financial statements comprise the statement of financial position as at 31 December 2025, the statement of comprehensive income, statement of changes in head office account and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages FS1 to FS77.

The Branch is a segment of Swiss Re International SE and is not a separately incorporated legal entity. The accompanying 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 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 '*Auditors' 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 *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

The Branch's management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information, which comprises the Statement by Chief Executive, prior to the date of this auditors' report.

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.

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.

Auditors' 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 auditors' 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 controls.
- Obtain an understanding of internal controls 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Branch's management.
- Conclude on the appropriateness of the management of the Branch'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 auditors' 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 auditors' 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 controls 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.

A handwritten signature in black ink that reads 'KPMG LLP'.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 April 2026

Statement of financial position
As at 31 December 2025

	Note	2025 \$	2024 \$
Assets			
Property, plant and equipment	4	–	4,485
Insurance contract assets	6(A)(i)	–	410,529
Reinsurance contract assets	6(B)(i)	212,545,131	221,834,922
Financial investments -measured at fair value	5	158,130,995	99,188,965
Financial investments -measured at amortised cost	5	39,054,872	71,642,635
Other receivables	8	18,374,709	20,498,106
Cash and cash equivalents	7	5,264,511	4,017,547
Deferred tax assets	16	1,180,404	2,212,045
Total assets		434,550,622	419,809,234
Liabilities			
Insurance contract liabilities	6(A)(i)	287,149,594	292,734,451
Reinsurance contract liabilities	6(B)(i)	25,303	3,034,196
Other payables	9	27,028,547	24,958,936
Current tax liabilities		4,758,654	1,598,518
Total liabilities		318,962,098	322,326,101
Net assets		115,588,524	97,483,133
Head office account			
Head office contributions	13	146,040,576	155,540,576
Fair value reserve		(7,006,886)	(9,049,942)
Insurance finance reserve		(608,369)	(666,557)
Accumulated losses		(22,836,797)	(48,340,944)
Total head office account		115,588,524	97,483,133

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

Statement of comprehensive income
Year ended 31 December 2025

	Note	2025 \$	2024 \$
Insurance revenue	10	179,508,776	200,122,245
Insurance service expenses	15	(105,329,229)	(118,758,477)
Net expenses from reinsurance contracts	11	<u>(32,893,338)</u>	<u>(74,929,966)</u>
Insurance service result		41,286,209	6,433,802
Other investment revenue	14	5,175,748	7,470,892
Net foreign exchange (expenses)/income		<u>(4,115,036)</u>	<u>2,601,692</u>
Investment return		1,060,712	10,072,584
Net finance expenses from insurance contracts	12	(1,736,993)	(14,757,263)
Net finance (expenses)/income from reinsurance contracts	12	<u>(3,543,449)</u>	<u>16,187,414</u>
Net financial result		(5,280,442)	1,430,151
Other income		133,604	91,796
Other operating expenses	15	<u>(6,398,289)</u>	<u>(6,090,204)</u>
Profit before tax		30,801,794	11,938,129
Income tax	16	<u>(5,297,647)</u>	<u>314,791</u>
Profit after tax		<u>25,504,147</u>	<u>12,252,920</u>
Other comprehensive income			
Net finance (expense)/income from insurance contracts	12	(10,418,443)	1,865,054
Net finance income/(expense) from reinsurance contracts	12	10,488,547	(4,684,020)
Tax effect of net finance (expense)/income from insurance and reinsurance contracts	16	(11,916)	281,896
Debt investments at FVOCI			
- Net change in fair value		<u>2,043,056</u>	<u>(428,328)</u>
Other comprehensive income/(loss) for the year, net of tax		2,101,244	(2,965,398)
Total comprehensive income for the year		<u>27,605,391</u>	<u>9,287,522</u>

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

Statement of changes in Head Office Account
Year ended 31 December 2025

	Note	Head office contributions \$	Fair value reserve \$	Insurance finance reserve \$	Accumulated losses \$	Total \$
2025						
At 1 January 2025		155,540,576	(9,049,942)	(666,557)	(48,340,944)	97,483,133
Total comprehensive income for the year						
Profit for the year		–	–	–	25,504,147	25,504,147
Other comprehensive income		–	2,043,056	58,188	–	2,101,244
Total comprehensive income for the year		–	2,043,056	58,188	25,504,147	27,605,391
<i>Transactions with Head Office</i>						
Repatriation to Head Office						
Capital repatriation to Head Office	13	(9,500,000)	–	–	–	(9,500,000)
Total transactions with Head Office		(9,500,000)	–	–	–	(9,500,000)
At 31 December 2025		146,040,576	(7,006,886)	(608,369)	(22,836,797)	115,588,524

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

Statement of changes in Head Office Account (continued)
Year ended 31 December 2025

	Note	Head office contributions \$	Fair value reserve \$	Insurance finance reserve \$	Accumulated losses \$	Total \$
2024						
At 1 January 2024		170,540,576	(8,621,614)	1,870,513	(60,593,864)	103,195,611
Total comprehensive income for the year						
Profit for the year		–	–	–	12,252,920	12,252,920
Other comprehensive income		–	(428,328)	(2,537,070)	–	(2,965,398)
Total comprehensive income for the year		–	(428,328)	(2,537,070)	12,252,920	9,287,522
<i>Transactions with Head Office</i>						
Repatriation to Head Office						
Capital repatriation to Head Office	13	(15,000,000)	–	–	–	(15,000,000)
Total transactions with Head Office		(15,000,000)	–	–	–	(15,000,000)
At 31 December 2024		155,540,576	(9,049,942)	(666,557)	(48,340,944)	97,483,133

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

Statement of cash flows
Year ended 31 December 2025

	Note	2025 \$	2024 \$
Cash flows from operating activities			
Profit after tax		25,504,147	12,252,920
Adjustments for:			
Depreciation	4	2,289	3,433
Realised (gain)/loss on financial investments	14	(5,354)	16,651
Unrealised foreign exchange loss/(gain) on financial investments		5,916,454	(6,382,419)
Unrealised foreign exchange loss/(gain) on cash and cash equivalents		83,197	(90,438)
Interest income	14	(5,199,861)	(7,507,471)
Income tax expense		5,297,647	(314,791)
Property, plant and equipment written off		2,196	–
		31,600,715	(2,022,115)
Changes in working capital:			
- Insurance and reinsurance contract		1,106,570	(5,912,762)
- Other receivables		2,123,397	1,688,948
- Other payables		2,069,611	(2,813,219)
Cash generated from operations		36,900,293	(9,059,148)
Income tax paid		(1,536,247)	–
Net cash generated from/(used in) operating activities		35,364,046	(9,059,148)
Cash flows from investing activities			
Purchase of financial investments		(875,378,557)	(888,796,956)
Disposal of financial investments		848,506,971	910,866,348
Interest received		2,337,701	2,090,703
Net cash (used in)/generated from investing activities		(24,533,885)	24,160,095
Cash flows from financing activity			
Capital repatriation to head office	13	(9,500,000)	(15,000,000)
Net cash used in financing activity		(9,500,000)	(15,000,000)
Net increase in cash and cash equivalents		1,330,161	100,947
Cash and cash equivalents at beginning of year		4,017,547	3,826,162
Effects of currency translation on cash and cash equivalents		(83,197)	90,438
Cash and cash equivalents at end of year	7	5,264,511	4,017,547

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Branch's Chief Executive on 22 April 2026.

1 Domicile and activities

Swiss Re International SE, Singapore Branch (the 'Branch') is registered in the Republic of Singapore and has its registered office at 128 Beach Road, Guoco Midtown #10-01, Singapore 189773.

The principal activities of the Branch are the offering of a broad range of direct insurance and reinsurance products to large and upper end middle market corporate clients, as well as to captives in Singapore and selected markets within Asia. The product offering includes Property and Casualty insurance, Professional and Financial lines, Engineering, Marine, Credit and customised risk-transfer solutions.

The Branch is the Singapore Branch of Swiss Re International SE ('Head Office'), which is incorporated in Luxembourg, and is not a separately incorporated legal entity. The financial statements have been prepared from the records of the Branch and reflect only transactions recorded in the local ledger. Its immediate holding corporation of the Head office is Swiss Re Corporate Solutions Holding Company Ltd, incorporated in Switzerland. Its ultimate holding corporation is Swiss Re Ltd, incorporated in Switzerland.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ('FRS'). The changes to material accounting policies are described in Note 2.5.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars (\$), which is the Branch's functional currency.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions about the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Estimates, assumptions, and judgement are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Branch makes estimates, assumptions, and judgement in determining the reported insurance liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. Certain estimates and assumption have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities subsequent to the reporting date.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follow:

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. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Branch uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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. The Branch derives cost inflation assumptions from the difference between the yields on nominal and inflation-linked government bonds.

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.

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;
- recurring commissions payable on instalment premiums receivable within the contract boundary; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

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

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and 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.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Branch's substantive rights and obligations under the contract.

Discount rates

The time value of money and financial risk is measured separately from expected future cash flows with changes in financial risks recognised in profit or loss at the end of each reporting period. The Branch has adopted the accounting policy to disaggregate the presentation of insurance finance income and expenses ('IFIE') into profit or loss and Other Comprehensive Income ('OCI').

The Branch measures the time value of money using discount rates that reflect the liquidity characteristics of the insurance contracts and the characteristics of the cash flows, consistent with observable current market prices. They exclude the effect of factors that influence such observable market prices but do not affect the future cash flows of the insurance contracts (e.g. credit risk).

In determining discount rates for cash flows that do not vary based on the returns of underlying items, the Branch uses the 'top-down approach' to estimate discount rates starting from the yield curve implied in the fair value of a reference portfolio that closely reflects the duration, currency and liquidity characteristics of the insurance cash flows. The Branch converts the yield curve into a discount rate based on force of interest method. The Branch generally determines the risk-free rates in the observed yield curves of the Singapore government bond.

The yield curve is extrapolated between the last available market data point and an ultimate forward rate (UFR), which reflects long-term real interest rate and inflation. The extrapolation is based on the Smith-Wilson model. Given the judgmental nature (no observable market prices available) of the modelling, all the parameters required by the extrapolation methodology, are determined by Swiss Re.

	2025					2024				
	1 year	5 years	10 years	15 years	20 years	1 year	5 years	10 years	15 years	20 years
SGD	1.48%	1.87%	2.17%	2.19%	2.17%	2.81%	2.79%	2.83%	2.90%	2.80%
USD	3.46%	3.69%	4.14%	4.66%	4.96%	4.14%	4.36%	4.53%	4.77%	4.92%
CNY	1.28%	1.61%	1.88%	2.20%	2.39%	1.05%	1.44%	1.69%	1.87%	2.03%
AUD	3.92%	4.25%	4.75%	5.00%	5.21%	3.96%	3.90%	4.37%	4.61%	4.83%
EUR	2.05%	2.58%	3.14%	3.52%	3.70%	2.21%	2.35%	2.71%	2.90%	2.93%
THB	1.09%	1.28%	1.69%	2.00%	2.36%	1.99%	2.08%	2.30%	2.65%	2.99%

The liquidity of the insurance contract is implicitly factored in the risk-free yield curve and thus no further adjustments are required.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

The Branch estimates the discount rate applicable to each group of contracts on initial recognition, which is based on recognised contracts. In the following reporting period, as new contracts are included in the group, the discount rate applicable to the group on initial recognition is revised from the start of the reporting period in which the new contracts are added to the group. The Branch re-estimates the discount rate applicable to the group at initial recognition using a weighted average discount rate over the period the contracts in the group are issued.

Risk adjustments for non-financial risk

The risk adjustment for non-financial risk represents the compensation that the Branch requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts and covers insurance risk, lapse risk and expense risk. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the best estimate amount.

The Branch has estimated the risk adjustment using a cost of capital technique. The cost of capital technique requires the Branch to estimate the probability distribution of the fulfilment cash flows, and the additional capital that it requires at each future date in the cash flow projection to comply with the Branch's internal economic capital requirements.

A cost of capital rate is applied to the additional capital requirement in future reporting periods. The cost of capital represents the return required by the Branch to compensate for exposure to the non-financial risk. The Branch's cost of capital is set at 3.5% (2024: 3.5%) per annum. The calculated risk adjustment at future durations is discounted to the reporting date at the risk-free rate, to be held as a part of the total insurance contract liability.

The risk adjustment for insurance contracts corresponds to 56% confidence levels for gross claim liabilities and 61% confidence levels for gross premium liabilities, respectively (2024: 57% and 59%) and 56% and 60% confidence levels, respectively (2024: 57% and 58%) net of reinsurance.

At the financial reporting date a sensitivity analysis was performed on the most significant actuarial assumption, namely the impact of a 5% increase and decrease in the ultimate claims. This was similar to the sensitivity analysis performed for the comparative period.

	Change in Assumptions %	Gross		
		Impact on CSM \$	Impact on profit or loss \$	Impact on equity \$
2025				
Ultimate claims	+5%	(4,005,264)	(18,811,248)	(42,180,851)
Ultimate claims	-5%	4,010,287	18,806,226	42,180,851
2024				
Ultimate claims	+5%	(2,962,937)	(16,401,401)	(37,368,083)
Ultimate claims	-5%	2,970,152	16,394,186	37,368,083

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Risk adjustments for non-financial risk (continued)

	Change in Assumptions %	Net		
		Impact on CSM \$	Impact on profit or loss \$	Impact on Equity \$
2025				
Ultimate claims	+5%	625,434	(2,861,466)	(5,560,333)
Ultimate claims	-5%	(620,412)	2,856,443	5,560,333
2024				
Ultimate claims	+5%	(81,250)	(3,243,052)	(5,542,850)
Ultimate claims	-5%	88,465	3,235,837	5,542,850

Contractual service margin

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:

- Identifying the coverage units in the group
- 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;
- 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. 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 reinsurance contracts issued, 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.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

Contractual service margin (continued)

For reinsurance contracts held, the CSM amortisation is similar to the reinsurance contracts issued and 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.

Insurance acquisition cash flows

The Branch applies judgement in determining the inputs used in the methodology to systematically and rationally allocate insurance acquisition cash flows to groups of insurance contracts. This includes judgements about whether insurance contracts are expected to arise from renewals of existing insurance contracts and, where applicable, the amount to be allocated to groups including future renewals and the volume of expected renewals from new contracts issued in the period.

In the current and prior years, the Branch did not allocate any insurance acquisition cash flows to future groups of insurance contracts, as it did not expect any renewal contracts to arise from new contracts issued in the period.

In the current and prior year, the Branch did not identify any facts and circumstances indicating that the assets may be impaired.

- **Note 5 – Financial instruments**

Classification of financial assets

Assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Impairment of financial assets

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss ('ECL') and selection and approval of models used to measure ECL.

Determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information.

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

- **Note 6 – Insurance Contracts**

Classification of insurance, reinsurance and investment contracts

Assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features.

Level of aggregation of insurance and reinsurance contracts

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.

Measurement of insurance and reinsurance contracts

Determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract

Determining whether sufficient reasonable and information is available to apply full, modified retrospective approach, or fair value approach.

Measurement of fair values

A number of the Branch's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Branch has an established control framework with respect to the measurement of fair values. This includes a valuation committee of the ultimate holding company that has the primary responsibility of governing and overseeing the valuation policies of the Branch. They are primarily responsible for oversight over the entire valuation process, approval of internal valuation methodologies, approval of external pricing vendors, monitoring of the independent price verification process as applicable.

When measuring the fair value of an asset or a liability, the Branch uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2 Basis of preparation (continued)

2.4 Use of estimates and judgements (continued)

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

The Branch recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note 17.2(e).

- **Note 16 – Open tax assessments**

The Branch has open tax assessments with the tax authority at the reporting date. Management believes that the tax position as at 31 December 2025 is sustainable.

2.5 Changes in material accounting policies

The Branch did not have any changes to its accounting policies from those applied in the financial statements as at and for the year ended 31 December 2024.

2 Basis of preparation (continued)

2.5 Changes in material accounting policies (continued)

A. New accounting standards and amendments

The Branch has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2025:

- Amendments to FRS 21: *Lack of Exchangeability*

The application of these amendments to standards and interpretations does not have a material effect on the financial statements.

3 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Branch, except as explained in Note 2.5, which addresses changes in material accounting policies.

3.1 Insurance and reinsurance contracts

i. Classification

The Branch applies FRS 117 to insurance contracts issued and reinsurance contracts held.

Contracts under which the Branch accepts significant insurance risk are classified as insurance contracts in accordance with FRS 117. Contracts held by the Branch under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Branch to financial risk.

Insurance contracts may be issued and reinsurance contracts may be initiated by the Branch. All references in these accounting policies to 'insurance contracts' and 'reinsurance contracts' include contracts issued or initiated by the Branch, unless otherwise stated.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

ii. Level of aggregation

The level of aggregation defines the grouping of insurance contracts relevant for measuring (re)insurance contract profitability by first combining contracts into portfolios and then splitting portfolios into groups. Contracts are combined into portfolios at initial recognition. A portfolio comprises contracts that are subject to similar risks and managed together. On initial recognition portfolios are split into groups of contracts based on their probability of becoming onerous (assessed at the contract or sets of contracts level) and their issuance date. When assessing the probability of contracts of becoming onerous, the standard requires an entity to divide the contracts into the following groups: Contracts that are onerous at initial recognition; contracts that have no significant possibility of becoming onerous subsequently and all remaining contracts in the portfolio.

The following general criteria should be considered when identifying product lines that constitutes a portfolio of insurance contracts:

- The split should allow for a justifiable level of cross-subsidisation between similar risks
- The approach should focus on how the Branch presents itself externally
- The split should be stable over time, be at the highest allowable level, and applied consistently between business units to the extent justified. It should be based on existing hierarchies.
- Product lines cannot be aggregated into portfolios across business units.
- The two main criteria (similar risk, managed together) should be assessed jointly.
- Determination of similar risks is based on an assessment of how similar product lines respond in amount and timing in changes to key assumptions. Swiss Re's line of business ('LoB'; main line of business) takes reference to the underlying primary risk(s) that is/are covered in a contract (i.e. the risk trigger), and this has been determined as the relevant basis for identifying "similar risks. Categories of similar risk focus on insurance risk, and if applicable, financial risk should be considered as well.
- "Managed together" should be assessed along the following categories: business origination, pricing and underwriting; reserving / assumption setting and other risk management activities (including retrocession); claims management; portfolio management; reporting to Group management We recommend taking on a consolidated Group perspective when identifying the basis on which contracts are managed together.
- Multiline contracts that do not qualify for separation should be assigned to specific multiline or a general multiline portfolio category. The criteria for splitting contracts into distinct insurance components are set out in "*Splitting and combining (re)insurance contracts*".

The Branch should split groups into annual cohorts, with the definition of cohorts aligning with the calendar year.

Groups of contracts are defined at initial recognition and are not reassessed after initial recognition.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

iii. *Splitting and combining (re)insurance contracts*

The unit of account sets the level at which the recognition and measurement requirements in FRS 117 are applied. The unit of account is closely related to the level of aggregation. The unit of account has to be set before the level of aggregation criteria are applied. The unit of account is determined at inception and has to be reassessed when a contract is modified or when a contract boundary is passed.

The lowest unit of account for insurance and reinsurance contracts is the contract, either legal contract or in substance contract, that includes all insurance components that cannot be separated after i.) separation of embedded derivatives, distinct investment and service components, ii.) insurance components that meet the separation criteria below.

There might be circumstances where the legal form of a single contract does not reflect the substance of its contractual rights and obligations. The assessment of whether or not individual rights and obligations within a contract should be separated or not involves significant judgement and careful consideration of all relevant facts and circumstances. It is not an accounting policy choice.

The principles for separating insurance components from a single contract are generally consistent with the principles for combining insurance contracts.

To override the presumption that the legal form of the contracts reflects the substance of the agreement, significant judgement and careful consideration of all relevant facts and circumstances must be taken on a case-by-case basis. Insurance components may not be separated from each other if the components form one contract in substance.

Besides considering the economic impact of the contract overall compared to its separate insurance components, an analysis of the following indicators should be used to support a conclusion that the presumption that the legal contract reflects its substance can be overcome:

- Rights and obligations have dissimilar economic characteristics and risks
- Rights and obligations of one component (or contract) do not negate the rights and obligations of another component (or contract)
- The lapse or maturity of one insurance component does not cause the lapse or maturity of the other insurance components
- The entity prices and sells each insurance component separately;
- There are no material interdependencies between component cash flows or interdependent cash flows can be separated / allocated to the components in a non-arbitrary way, which requires a logical and consistently-applied method
- There are no other indications that the different components form one contract in substance, including the following: a.) There is no substantial cross-subsidisation such that one component is onerous on its own but the whole treaty is expected to be profitable, and b.) The insurance components are considered separately in business steering activities to produce cash flows and can be measured separately on a reliable and consistent basis

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

iii. *Splitting and combining (re)insurance contracts (continued)*

The presence of a discount in and by itself does not preclude separation.

Application of the indicators should be done consistently across business lines. Not all indicators may be equally relevant in all cases, and not all indicators have to be met to support a conclusion on separating or not separating a multi-line contract.

iv. *Insurance acquisition cash flows*

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

If insurance acquisition cash flows are directly attributable to a group of contracts, then they are allocated to that group and to the groups that will include renewals of those contracts.

If insurance acquisition cash flows are directly attributable to a portfolio but not to a group of contracts, then they are allocated to groups in the portfolio under a systematic and rational method.

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.

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.

Recoverability assessment

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

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

The Branch reverses any impairment losses in profit or loss and increases the carrying amount of the asset to the extent that the impairment conditions have improved.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

v. *Contract boundaries*

The measurement of a group of insurance contracts includes all of the future cash flows within the boundary of each contract in the group. The contract boundary distinguishes the future cash flows that relate to existing recognised insurance contracts from those that relate to future insurance contracts.

When determining the contract boundary, an insurer considers its substantive rights and obligations – whether they arise from contract, law or regulation – and disregards terms that have no commercial substance.

The contract boundary is determined by longer of the following two periods:

- the period it can compel the policyholder to pay premiums
- the period after which it has the practical ability to reassess the risks (individual and portfolio level)

The 'ability to compel' often refers to insurer's ability to compel the insured to pay premiums and to continue the insurance coverage. A contract boundary is created when both parties have the right to terminate the contract unconditionally.

The 'ability to reprice' is impacted by price reviewability clauses. A contract boundary may be created when Swiss Re can reassess the risks of the particular policyholder (or a portfolio of insurance contracts that contains the contract) and then set a price to fully reflect those risks.

A constraint that limits an insurer's practical ability to reprice differs from the insurer's pricing decisions. In addition, expectations about whether an insurer will exercise its practical ability to reprice a contract are irrelevant to the assessment of the contract's boundary.

The 'ability to compel' and 'ability to reprice' should be considered separately.

The contract boundary is reassessed at each reporting period.

For (re)insurance contracts issued, cash flows are within the contract boundary if they arise during the period that is the longer of:

- the period over which the Branch has a substantive right to compel policyholders to pay the premiums; and
- the period over which the Branch has a substantive obligation to provide services until it can reprice to fully reflect the risks of the policyholder (or of the portfolio of insurance contracts that contains the contract).

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

v. *Contract boundaries (continued)*

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

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

vi. *Measurement*

Insurance contracts - Initial measurement

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

Risk Adjustment for non-financial risk

The risk adjustment measures the compensation required for uncertainty related to non-financial risk and reflects the compensation the Branch would require for bearing this non-financial risk and its degree of risk aversion. Provision for uncertainty related to financial risks are included in the present value of future cash flows under FRS 117.

The risk adjustment is measured by a cost of capital method implemented via a factor-based approach. Risk adjustment factors are applied on volumes reflect the risk characteristics of the portfolio and are proportional to the measures used to calculate the compensation for risk charged by Swiss Re when costing new business.

Risk adjustment factors are calibrated ahead of the annual reporting cycle using the latest information available. Risk adjustment factors are reviewed annually considering the most recent margin for non-financial risk required as compensation when costing new business.

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

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

vi. Measurement (continued)

Discounting

The Branch adopts the Group's policy choice for the calibration of the FRS 117 discount rates is to apply a bottom-up approach consisting of a risk-free curve and an illiquidity premium curve.

The FRS 117 discount rates are derived from Government bond prices and are differentiated by term and currency. The extrapolation of the risk-free element of the FRS 117 discount rates is based on a Smith-Wilson model converging to a currency-specific ultimate forward rate ('UFR') after the currency specific risk-free last liquid point ('LLP').

For all business recognising within a reporting quarter, the discount rates for initial recognition are set equal to the FRS 117 interest rates as of the last day of the prior reporting quarter. In case the previous quarter end discount rate is not appropriate for a given contract or group of contracts due to material short-term market developments, Swiss Re can decide to use another more appropriate discount rate. For contracts within the same cohort, but with recognition in different quarters, a weighted-average curve is derived from the curves of each reporting period (i.e., previous quarter end). The weighted-average curve is updated as contracts are added to the cohort and applied to all existing contracts in the cohort to determine CSM and the interest accretion in the future. The weighting will be based on the CSM amount of each contract rolled forward. In case the CSM of a group of contracts is split across various currencies, the average discount rates locked-in for each currency is applied to the CSM portion in that specific currency.

CSM

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

If the total is a net outflow, then the group is onerous. In this case, the net outflow is recognised as a loss in profit or loss. A loss component is created to depict the amount of the net cash 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.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

vi. Measurement (continued)

The Branch's transition approaches applied at the date of transition to FRS 117 (1 January 2022) continue to impact a significant part of how the CSM balance as at 31 December 2025 and 31 December 2024 has been determined. The accounting policies for how the CSM on the date of transition was determined for groups measured applying the full retrospective approach, the modified retrospective approach and the fair value approach are summarised in (ix).

Insurance Contract - Subsequent measurement

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

The fulfilment cash flows of groups of 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 fulfilment cash flows 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

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

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year measured at the discount rates determined on initial recognition;
- changes in fulfilment cash flows that relate to future services, except to the extent that:
 - any increases in the fulfilment cash flows exceed the carrying amount of the CSM, in which case the excess is recognised as a loss in profit or loss and creates a loss component; or
 - any decreases in the fulfilment cash flows are allocated to the loss component, reversing losses previously recognised in profit or loss;

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

vi. Measurement (continued)

Insurance Contract - Subsequent measurement (continued)

- the effect of any currency exchange differences on the CSM; and
- the amount recognised as insurance revenue because of the services provided in the year.

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

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

Reinsurance contract

To measure a group of reinsurance contracts, the Branch applies the same accounting policies as are applied to insurance contracts, with the following modifications.

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

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

The risk adjustment for non-financial risk is the amount of risk being transferred by the Branch to the reinsurer. The Branch does not adjust the risk adjustment for non-financial risk for the risk that the actual effect of non-performance of the reinsurer differs from the adjustment included in the fulfilment cash flows.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

vi. Measurement (continued)

Reinsurance contract (continued)

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

The Branch's transition approaches applied at the date of transition to FRS 117 (1 January 2022) continue to impact a significant part of how the CSM balance as at 31 December 2025 and 31 December 2024 has been determined. The accounting policies for how the CSM on the date of transition was determined for groups measured applying the full retrospective approach, the modified retrospective approach and the fair value approach are summarised in (ix).

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

- the CSM of any new contracts that are added to the group in the year;
- interest accreted on the carrying amount of the CSM during the year, measured at the discount rates determined on initial recognition
- income recognised in profit or loss in the year on initial recognition of onerous underlying contracts;
- reversals of a loss-recovery component to the extent that they are not changes in the fulfilment cash flows of the group of reinsurance contracts;
- changes in fulfilment cash flows that relate to future services, measured at the discount rates determined on initial recognition, unless they result from changes in fulfilment cash flows of onerous underlying contracts, in which case they are recognised in profit or loss and create or adjust a loss-recovery component;
- the effect of any currency exchange differences on the CSM; and
- the amount recognised in profit or loss because of the services received in the year.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

vi. *Measurement (continued)*

Reinsurance of onerous underlying insurance

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

- the amount of the loss that relates to the underlying contracts; and
- the percentage of claims on the underlying contracts that the Group expects to recover from the reinsurance contracts.

A loss-recovery component is created or adjusted for the group of reinsurance contracts to depict the adjustment to the CSM, which determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

vii. *Derecognition and contract modification*

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

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

A contract is derecognised from the group of contracts by making the following adjustments:

- the fulfilment cash flows allocated to the group are adjusted to eliminate those that relate to the rights and obligations derecognised;
- the CSM of the group is adjusted for the change in the fulfilment cash flows, except where such changes are allocated to a loss component or where the group has no remaining coverage period; and
- the number of coverage units for the expected remaining services is adjusted to reflect the coverage units derecognised from the group (see Note 3(viii)).

If a contract is derecognised because it is transferred to a third party, then the CSM is also adjusted for the premium charged by the third party, unless the group is onerous or where the group has no remaining coverage period.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

vii. Derecognition and contract modification (continued)

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

viii. Presentation

Portfolios of insurance contracts that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Any assets or liabilities recognised for cash flows arising before the recognition of the related group of contracts (including any assets for insurance acquisition cash flows under Note 3(v)) are included in the carrying amount of the related portfolios of contracts.

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

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

Insurance revenue

The Branch recognises insurance revenue as it satisfies its performance obligations – i.e. as it provides services under groups of insurance contracts. The insurance revenue relating to services provided for each year represents the total of the changes in the LRC that relate to services for which the Branch expects to receive consideration, and comprises the following items.

- A release of the CSM, measured based on coverage units provided.
- Changes in the risk adjustment for non-financial risk relating to current services.
- Claims and other insurance service expenses incurred in the year, generally measured at the amounts expected at the beginning of the year. This includes amounts arising from the derecognition of any assets for cash flows other than insurance acquisition cash flows at the date of initial recognition of a group of contracts, which are recognised as insurance revenue and insurance service expenses at that date.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

viii. Presentation (continued)

Insurance revenue (continued)

In addition, the Branch allocates a portion of premiums that relate to recovering insurance acquisition cash flows to each period in a systematic way based on the passage of time. The Branch recognises the allocated amount, adjusted for interest accretion at the discount rates determined on initial recognition of the related group of contracts, as insurance revenue and an equal amount as insurance service expenses.

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

The expected coverage period reflects expectations of lapses and cancellations of contracts, as well as the likelihood of insured events occurring to the extent that they would affect the expected coverage period. The period of investment services ends no later than the date on which all amounts due to current policyholders relating to those services have been paid.

Loss components

The Branch establishes a loss component of the LRC for onerous groups of insurance contracts. The loss component determines the amounts of fulfilment cash flows that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue when they occur. When the fulfilment cash flows are incurred, they are allocated between the loss component and the LRC excluding the loss component on a systematic basis.

The systematic basis is determined by the proportion of the loss component relative to the total estimate of the present value of the future cash outflows plus the risk adjustment for non-financial risk at the beginning of each year (or on initial recognition if a group of contracts is initially recognised in the year).

Changes in fulfilment cash flows relating to future services are allocated solely to the loss component. If the loss component is reduced to zero, then any excess over the amount allocated to the loss component creates a new CSM for the group of contracts.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

viii. 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: This is equal to the amount of insurance revenue recognised in the year that relates to recovering insurance acquisition cash flows.
- Losses on onerous contracts and reversals of such losses.
- 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.
- Impairment losses on assets for insurance acquisition cash flows and reversals of such impairment losses.

Net expenses from reinsurance contracts

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

The Branch recognises an allocation of reinsurance premiums paid in profit or loss as it receives services under groups of reinsurance contracts. The allocation of reinsurance premiums paid relating to services received for each period represents the total of the changes in the asset for remaining coverage that relate to services for which the Branch expects to pay consideration.

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

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

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

viii. *Presentation (continued)*

Net expenses from reinsurance contracts (continued)

The loss-recovery component determines the amounts that are subsequently presented in profit or loss as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid. It is adjusted to reflect changes in the loss component of the onerous group of underlying contracts, but it cannot exceed the portion of the loss component of the onerous group of underlying contracts that the Branch expects to recover from the reinsurance contracts.

Insurance finance income and expenses

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of the time value of money, financial risk and changes therein.

The Branch has chosen to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined using the discount rates determined on initial recognition of the group of contracts.

Amounts presented in OCI are accumulated in the insurance finance reserve. If the Branch derecognises a contract as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract are reclassified to profit or loss as a reclassification adjustment.

ix. *Transition*

The Branch's transition approaches applied at the date of transition to FRS 117 (1 January 2022) continue to impact a significant part of how the CSM balance as at 31 December 2025 and 31 December 2024 has been determined (see Note 6). The accounting policies for how the CSM on the date of transition was determined for groups measured applying the modified retrospective approach and the fair value approach are summarised below.

Changes in accounting policies resulting from the adoption of FRS 117 have been applied using a full retrospective approach to the extent practicable. Steps have been taken to identify, recognise, and measure each group of insurance contracts and any assets for insurance acquisition cash flows relating to future expected renewals as if FRS 117 had always applied. Any existing balances that would not exist had FRS 117 always been applied has been derecognised, with any resulting net difference recognised in equity.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

ix. *Transition (continued)*

The impracticability assessment takes place at the group of insurance contracts level and if it is impracticable to apply FRS 117 retrospectively to a group of insurance contracts, the application of the fair value approach ('FVA') is the default alternative approach. The modified retrospective approach ('MRA') can be used if certain criteria are fulfilled and with approval of Group Reporting.

Under the FVA, the Group will use a market calibrated pricing approach to determine fair values. The difference between the fair value and the value of the FRS 117 fulfilment cash flows equals the CSM or loss component of the respective group of insurance contract.

The transitional relief under the FVA to determine the cumulative amount of IFIE in OCI at transition will be taken up and OCI set to zero if possible (Note: this transitional relief is only relevant if the OCI option on IFIE is elected).

As it is impracticable to apply the risk adjustment retrospectively pre-2022 for all businesses, the Branch will be taking the following approach. For businesses written pre-2021, the fair value approach will be adopted. For businesses written in financial year 2021, the risk adjustment MRA is adopted.

Full retrospective approach (FRA)

The Branch determined that reasonable and supportable information as available for all contracts in force at the transition date that were incepted after 1 January 2022.

Accordingly, the branch recognised and measured each group of insurance contracts in this category as if FRS 117 has always been applied; derecognised any existing balances that would not exist had FRS 117 always applied; and recognised net difference in equity.

Modified retrospective and fair value approaches (MRA)

The Branch determined that transactional level data and annual actuarial assumptions were available from 1 January 2019. The branch has used that threshold to apply MRA to all group of contracts in force as at transition and originated on or after 1 January 2019. Where the FRA has not been applied, the closest possible outcome that could have been achieved using reasonable and supportable information was used.

3 Material accounting policies (continued)

3.1 Insurance and reinsurance contracts (continued)

ix. Transition (continued)

Fair value approach (FVA)

The branch has applied the FVA to insurance contracts that were inceptioned before 2019.

Applying the FVA, the branch measured the fair value of the life insurance contracts liabilities and associated assets and reinsurance assets on transition.

Under the fair value approach, the Contractual Service Margin ('CSM') of a group of contracts at transition is defined as the difference between the fair value and the FRS 117 fulfilment cash flows.

In estimating the fair value of insurance contracts, the following considerations were applied:

- only future cash flows within the boundaries of the insurance contracts were included in the fair value estimation excluding new business that would be outside the contract boundary of the contracts under FRS 117; and
- profitability assumptions were included to reflect what a market participant would require for accepting obligations under insurance contracts. Beyond the risk adjustment for non-financial risk.

The key judgements and assumptions used to determine the fair value of the (re)insurance contract assets and (re)insurance contract liabilities as well as other areas involving a high degree of judgement, complexity and significant estimates have been set out in Note 2.4.

Objective of the modified retrospective approach was to achieve the closest outcome to retrospective application possible using reasonable and supportable information available without undue cost or effort. The Branch applied each of the following modifications only to the extent that it did not have reasonable and supportable information to apply FRS 117 retrospectively.

3 Material accounting policies (continued)

3.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Branch at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Groups of insurance and reinsurance contracts that generate cash flows in a foreign currency, including the CSM, are treated as monetary items.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are generally recognised in profit or loss. However, foreign currency differences arising from the translation of the following items are recognised in OCI:

- groups of insurance and reinsurance contracts to the extent that the foreign currency differences relate to changes in the carrying amount of the groups recognised in OCI (see 'Insurance finance income and expenses' under 3.1 (viii)). The amount included in OCI is the difference between the total foreign currency differences and the amount included in profit or loss. The amount included in profit or loss is the difference between the measurement of the group that is used to determine the insurance finance income and expenses in profit or loss in the year in the functional currency at the beginning of the year, adjusted for accreted interest and payments during the year, and the same measurement in the foreign currency translated at the exchange rate at the end of the year

The foreign currency gain or loss on debt investments at FVOCI and financial instruments at amortised cost is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest, impairment and payments during the year, and the amortised cost in the foreign currency translated at the exchange rate at the end of the year.

3.3 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Interest paid and capitalised is presented as part of financing cash flows in the statement of cash flows.

3 Material accounting policies (continued)

3.3 Property, plant and equipment (continued)

Recognition and measurement (continued)

If significant parts of item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss within “Other gains – net”.

Subsequent costs

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Computers	1 years
Furniture and fittings	4 years
EDP/technical equipment	2 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate. The effects of any revision are recognised in profit or loss when the changes arise.

3 Material accounting policies (continued)

3.4 Employee benefits

Employee benefits are recognised as an expense unless the cost qualifies to be capitalised as an asset.

Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Branch pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual, or voluntary basis. The Branch has no further payment obligations once the contributions have been paid.

Employee leave entitlement

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

3.5 Provisions

A provision is recognised if, as a result of a past event, the Branch has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

3.6 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Branch expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

3 Material accounting policies (continued)

3.6 Tax (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Branch in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Branch's cash management are included in cash and cash equivalents.

3.8 Financial instruments

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at either amortised cost or fair value through OCI ('FVOCI').

Financial assets are not reclassified subsequent to their initial recognition unless the Branch changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

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

Debt investments at FVOCI

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

Business model for managing financial assets refers to how the Branch manages these assets to generate cash flows and is determined at level that reflects how group of financial assets are managed through the asset-liability matching process. The Branch identifies two types of business models:

- a business model with objective to hold financial asset to collect contractual cash flows over the life of the instrument ('hold to collect' business model); and
- a business model with objective of both, collecting contractual cash flows and selling the financial asset ('hold to collect and sell' business model).

Assessment of whether contractual cash flows are SPPI

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. However, the principal may change over time, e.g. if there are repayments of principal. Interest is defined as consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

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

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Branch's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration for the time value of money (e.g. periodic reset of interest rates).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated under the effective interest method, foreign exchange gains and losses, and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liability at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

Derecognition

The Branch derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
 - substantially all of the risks and rewards of ownership of the financial asset are transferred;
 - or
 - the Branch neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

Impairment of financial assets

The Branch recognises loss allowances for expected credit loss (ECL) on:

- financial assets measured at amortised cost.

The Branch measures loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised is 12-month ECL:

- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL's. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Branch considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Branch's historical experience and informed credit assessment, that includes forward-looking information.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contracts and the cash flows that the Branch expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Branch assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

Credit-impaired financial assets (continued)

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

In assessing whether an investment in sovereign debt is credit-impaired, the Branch considers the following factors:

- the market's assessment of creditworthiness as reflected in bond yields
- the rating agencies' assessments of creditworthiness
- the country's ability to access the capital markets for new debt issuance;
- the probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- the international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms, including an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Presentation of loss allowances in the statement of financial position

Loss allowances for ECL are presented as follows:

- financial assets measured at amortised cost: the loss allowance is deducted from the gross carrying amount of the assets.

Write-off

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

3 Material accounting policies (continued)

3.8 Financial instruments (continued)

Financial liabilities

Classification

The Branch classifies its financial liabilities as measured at amortised cost.

Subsequent measurement and gains and losses

Financial liabilities are measured at amortised cost using the effective interest method. Interest expenses and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

The Branch derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Branch also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Branch currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when it is required or permitted by a Standard, e.g. gains and losses arising from a group of similar transactions such as the gains and losses on financial assets measured at fair value through profit or loss.

3 Material accounting policies (continued)

3.9 New accounting standards and interpretations not adopted

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Branch's financial statements are disclosed below. The Branch intends to adopt these standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
<i>Classification and Measurement of Financial Instruments (Amendments to FRS 109 and FRS 107)</i>	1 January 2026
<i>Annual Improvements to FRS Accounting Standards (Volume 11)</i>	1 January 2026
<i>Presentation and Disclosure in Financial Statements (FRS 118)</i>	1 January 2027
<i>Subsidiaries without Public Accountability: Disclosures (FRS 119)</i>	1 January 2027
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 110 and FRS 28)</i>	<i>Available for optional adoption/ effective date deferred indefinitely</i>

FRS 118 contains detailed requirements on where to classify income and expenses and subtotals required to be presented in the income statement, grouping of information to be presented in the primary financial statements, disclosure in the notes on some performance measures defined by management, and limited changes to the statement of cash flows. The standard is required to be applied retrospectively. The Branch intends to initially apply this standard as of the effective date. On initial application, this new standard will only impact how the Branch presents and discloses its results in the financial statements. It will not affect the Branch's net income.

The management expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

4 Property, plant and equipment

	Computers	Furniture and fittings	Total
	\$	\$	\$
Cost			
At 1 January 2024	19,350	208,795	228,145
Disposals	(6,550)	(208,795)	(215,345)
At 31 December 2024	12,800	–	12,800
At 1 January 2025	12,800	–	12,800
Disposals	–	–	–
At 31 December 2025	12,800	–	12,800
Accumulated depreciation			
At 1 January 2024	11,432	208,795	220,227
Depreciation for the year	3,433	–	3,433
Disposals	(6,550)	(208,795)	(215,345)
At 31 December 2024	8,315	–	8,315

4 Property, plant and equipment (continued)

	Computers \$	Furniture and fittings \$	Total \$
Accumulated depreciation			
At 1 January 2025	8,315	–	8,315
Depreciation for the year	2,289	–	2,289
Write off	2,196	–	2,196
At 31 December 2025	12,800	–	12,800
Carrying amounts			
At 1 January 2024	7,918	–	7,918
At 31 December 2024	4,485	–	4,485
At 31 December 2025	–	–	–

5 Financial investments

The carrying amounts of the financial assets held by the Branch are:

	Amortised cost \$	FVOCI - Debt \$	Total \$
2025			
Government securities	39,054,872	101,349,140	140,404,012
Corporate securities	–	56,781,855	56,781,855
Total financial investments	39,054,872	158,130,995	197,185,867
2024			
Government securities	71,642,635	39,600,100	111,242,735
Corporate securities	–	59,588,865	59,588,865
Total financial investments	71,642,635	99,188,965	170,831,600

6 Insurance and reinsurance contracts

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

	2025 \$	2024 \$
Insurance contract assets	–	410,529
Insurance contract liabilities	287,149,594	292,734,451
Net liabilities for insurance contracts issued per statement of financial position	287,149,594	292,323,922
Net receipts that have not yet allocated to portfolio of insurance contracts	27,824,492	33,943,042
Net liabilities for insurance contracts issued excluding unallocated payments/receipts	259,325,102	258,380,880
Reinsurance contract assets	212,545,131	221,834,922
Reinsurance contract liabilities	25,303	3,034,196
Net reinsurance contract assets held per statement of financial position	212,519,828	218,800,726
Net receipts that have not yet allocated to portfolio of reinsurance contracts	1,032,254	477,848
Net assets for reinsurance contracts held excluding unallocated payments/receipts	211,487,574	218,322,878

The following table sets out the carrying amounts of insurance and reinsurance contracts expected to be settled more than 12 months after the reporting date.

	2025 \$	2024 \$
Insurance contract assets	–	2,143,844
Insurance contract liabilities	320,366,324	295,896,080
Reinsurance contract assets	261,580,740	232,812,183
Reinsurance contract liabilities	11,299,000	194,793

At 31 December 2025, the maximum exposure to credit risk from insurance contracts is \$119,369,550 (2024: \$102,611,123), which primarily relates to premiums receivable for services that the Branch has already provided, and the maximum exposure to credit risk from reinsurance contracts is \$114,058,809 (2024: \$94,217,316).

6 Insurance and reinsurance contracts (continued)

(A) Movements in insurance contract liabilities

(i) Analysis by remaining coverage and incurred claims

	2025				2024			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	\$	\$	\$	\$	\$	\$	\$	
Opening assets	(1,518,685)	143	1,108,013	(410,529)	–	–	–	–
Opening liabilities	(44,429,211)	6,891,157	296,329,463	258,791,409	(14,970,758)	5,369,547	276,723,278	267,122,067
Net opening balance	(45,947,896)	6,891,300	297,437,476	258,380,880	(14,970,758)	5,369,547	276,723,278	267,122,067
Changes in the statement of profit or loss and OCI								
Insurance revenue								
Contracts under fair value approach	(12,535,424)	–	–	(12,535,424)	(12,249,168)	–	–	(12,249,168)
Contracts under modified retrospective approach	(2,120,045)	–	–	(2,120,045)	(7,440,668)	–	–	(7,440,668)
Other contracts	(164,853,307)	–	–	(164,853,307)	(180,432,409)	–	–	(180,432,409)
	(179,508,776)	–	–	(179,508,776)	(200,122,245)	–	–	(200,122,245)
Insurance service expenses								
Incurred claims and other expenses	–	(2,823,987)	138,344,303	135,520,316	–	(6,056,781)	118,280,349	112,223,568
Losses and reversals of losses on onerous contracts	–	4,044,093	–	4,044,093	–	7,088,169	–	7,088,169
Amortisation of insurance acquisition cash flows	25,893,445	–	–	25,893,445	15,114,394	–	–	15,114,394
Adjustments to liabilities for incurred claims	–	–	(60,128,626)	(60,128,626)	–	–	(15,667,654)	(15,667,654)
	25,893,445	1,220,106	78,215,677	105,329,228	15,114,394	1,031,388	102,612,695	118,758,477

6 Insurance and reinsurance contracts (continued)

(A) Movements in insurance contract liabilities (continued)

(i) Analysis by remaining coverage and incurred claims (continued)

	2025				2024			
	Liabilities for remaining coverage		Liabilities for incurred claims	Total	Liabilities for remaining coverage		Liabilities for incurred claims	Total
	Excluding loss component	Loss component			Excluding loss component	Loss component		
	\$	\$	\$	\$	\$	\$	\$	
Insurance service result	(153,615,331)	1,220,106	78,215,677	(74,179,548)	(185,007,851)	1,031,388	102,612,695	(81,363,768)
Net finance expenses from insurance contracts	4,894,624	214,725	16,182,042	21,291,391	711,694	349,793	7,076,515	8,138,002
Effect of movements in exchange rates	7,416,563	(723,172)	(15,829,348)	(9,135,957)	(174,302)	140,572	4,787,937	4,754,207
Total changes in statement of profit or loss and OCI	(141,304,144)	711,659	78,568,371	(62,024,114)	(184,470,459)	1,521,753	114,477,147	(68,471,559)
Cash flows								
Premium received	205,939,225	–	–	205,939,225	182,443,979	–	–	182,443,979
Claims and other insurance service expenses paid	–	–	(70,600,574)	(70,600,574)	–	–	(93,762,949)	(93,762,949)
Insurance acquisition cash flows	(72,370,315)	–	–	(72,370,315)	(28,950,658)	–	–	(28,950,658)
Total cash flows	133,568,910	–	(70,600,574)	62,968,336	153,493,321	–	(93,762,949)	59,730,372
Closing assets	–	–	–	–	(1,518,685)	143	1,108,013	(410,529)
Closing liabilities	(53,683,130)	7,602,959	305,405,273	259,325,102	(44,429,211)	6,891,157	296,329,463	258,791,409
Net closing balance	(53,683,130)	7,602,959	305,405,273	259,325,102	(45,947,896)	6,891,300	297,437,476	258,380,880

6 Insurance and reinsurance contracts (continued)

(A) Movements in insurance contract liabilities (continued)

(ii) Analysis by measurement component

	2025						2024					
	CSM						CSM					
	Estimated present value of future cash flows	Risk adjustment for non-financial risk	Contract under modified retrospective transition approach	Contract under fair value transition approach	Other contracts	Total	Estimated present value of future cash flows	Risk adjustment for non-financial risk	Contract under modified retrospective transition approach	Contract under fair value transition approach	Other contracts	Total
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Opening assets	(995,331)	51,777	–	(2,233)	535,258	(410,529)	–	–	–	–	–	–
Opening liabilities	183,407,461	7,491,680	1,175,019	7,906,248	58,811,001	258,791,409	214,550,695	6,457,490	3,159,424	6,622,483	36,331,975	267,122,067
Net opening balance	182,412,130	7,543,457	1,175,019	7,904,015	59,346,259	258,380,880	214,550,695	6,457,490	3,159,424	6,622,483	36,331,975	267,122,067
Changes in the statement of profit or loss and OCI												
Changes that relate to current services												
CSM recognised for services provided	–	–	(842,775)	(2,943,699)	(45,768,865)	(49,555,339)	–	–	(2,066,169)	(2,046,685)	(44,837,803)	(48,950,657)
Change in risk adjustment for non-financial expired risk	–	(1,593,599)	–	–	–	(1,593,599)	–	(1,835,944)	–	–	–	(1,835,944)
Experience adjustment	32,981,655	–	–	–	–	32,981,655	(22,034,598)	–	–	–	–	(22,034,598)
Changes that relate to future services												
Contracts initially recognised in the year	(55,141,365)	4,999,902	–	–	52,792,184	2,650,721	(57,012,239)	2,683,188	–	–	54,654,221	325,170
Changes in estimates that adjust the CSM	2,903,509	906,984	81,675	(1,821,998)	(2,070,170)	–	(11,061,743)	(378,628)	11,174	3,044,413	8,384,784	–
Changes in estimates that do not adjust the CSM	1,277,531	188,108	–	–	–	1,465,639	6,762,273	37,642	–	–	–	6,799,915
Changes that relate to past services												
Adjustment to liabilities for incurred claims	(57,690,667)	(2,437,958)	–	–	–	(60,128,625)	(15,820,363)	152,709	–	–	–	(15,667,654)
Insurance service result	(75,669,337)	2,063,437	(761,100)	(4,765,697)	4,953,149	(74,179,548)	(99,166,670)	658,967	(2,054,995)	997,728	18,201,202	(81,363,768)

6 Insurance and reinsurance contracts (continued)

(A) Movements in insurance contract liabilities (continued)

(ii) Analysis by measurement component (continued)

	2025 CSM					2024 CSM						
	Estimated present value of future cash flows	Risk adjustment for non- financial risk	Contract under modified retrospective transition approach	Contract under fair value transition approach	Other contracts	Total	Estimated present value of future cash flows	Risk adjustment for non- financial risk	Contract under modified retrospective transition approach	Contract under fair value transition approach	Other contracts	Total
Net finance expenses from insurance contracts	16,715,361	270,591	19,430	122,497	4,163,512	21,291,391	3,434,092	372,950	56,037	135,190	4,139,733	8,138,002
Effect of movements in exchange rates	(5,566,124)	(424,236)	(3,464)	(178,016)	(2,964,117)	(9,135,957)	3,863,641	54,050	14,553	148,614	673,349	4,754,207
Total changes in statement of profit or loss and OCI	(64,520,100)	1,909,792	(745,134)	(4,821,216)	6,152,544	(62,024,114)	(91,868,937)	1,085,967	(1,984,405)	1,281,532	23,014,284	(68,471,559)
Cash flows												
Premiums received	205,939,225	–	–	–	–	205,939,225	182,443,979	–	–	–	–	182,443,979
Claims and other insurance service expenses paid	(70,600,574)	–	–	–	–	(70,600,574)	(93,762,949)	–	–	–	–	(93,762,949)
Insurance acquisition cash flows	(72,370,315)	–	–	–	–	(72,370,315)	(28,950,658)	–	–	–	–	(28,950,658)
Total cash flows	62,968,336	–	–	–	–	62,968,336	59,730,372	–	–	–	–	59,730,372
Closing assets	–	–	–	–	–	–	(995,331)	51,777	–	(2,233)	535,258	(410,529)
Closing liabilities	180,860,366	9,453,249	429,885	3,082,799	65,498,803	259,325,102	183,407,461	7,491,680	1,175,019	7,906,248	58,811,001	258,791,409
Net closing balance	180,860,366	9,453,249	429,885	3,082,799	65,498,803	259,325,102	182,412,130	7,543,457	1,175,019	7,904,015	59,346,259	258,380,880

6 Insurance and reinsurance contracts (continued)

(B) Movements in reinsurance contract assets

(i) Analysis by remaining coverage and incurred claims

	2025					2024				
	Assets for remaining coverage		Assets for incurred claims			Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Total
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening assets	(32,294,795)	32,488	249,295,114	4,324,267	221,357,074	(6,470,662)	226,005	227,986,074	3,073,961	224,815,378
Opening liabilities	(4,002,555)	–	947,130	21,229	(3,034,196)	(13,291,932)	–	3,891,838	384,630	(9,015,464)
Net opening balance	(36,297,350)	32,488	250,242,244	4,345,496	218,322,878	(19,762,594)	226,005	231,877,912	3,458,591	215,799,914
Changes in the statement of profit or loss and OCI										
Allocation of reinsurance premiums paid	(117,382,426)	–	–	–	(117,382,426)	(111,422,443)	–	–	–	(111,422,443)
Amount recoverable from reinsurers	–	6,693,350	77,974,502	(62,610)	84,605,242	–	(193,737)	34,886,184	458,034	35,150,481
Recoveries of incurred claims and other insurance service expenses	–	(1,501,661)	114,075,447	1,419,779	113,993,565	–	(31,338)	40,939,372	477,863	41,385,897
Adjustments to assets for incurred claims	–	–	(36,100,945)	(1,482,389)	(37,583,334)	–	–	(6,053,188)	(19,829)	(6,073,017)
Changes in fulfilment cash flows which relate to onerous underlying contracts	–	8,195,011	–	–	8,195,011	–	(162,399)	–	–	(162,399)
Effect of changes in non-performance risk of reinsurers	(116,154)	–	–	–	(116,154)	429,012	–	912,984	–	1,341,996
Net income and expenses from reinsurance contracts	(117,498,580)	6,693,350	77,974,502	(62,610)	(32,893,338)	(110,993,431)	(193,737)	35,799,168	458,034	(74,929,966)
Net finance income from reinsurance contracts	3,238,530	183,796	15,579,150	(21,969)	18,979,507	(1,250,507)	220	5,549,561	281,916	4,581,190
Effect of movement in exchange rates	7,871,771	–	(19,668,995)	(237,185)	(12,034,409)	(2,148,488)	–	8,923,737	146,955	6,922,204
Total changes in the statement of profit or loss and OCI	(106,388,279)	6,877,146	73,884,657	(321,764)	(25,948,240)	(114,392,426)	(193,517)	50,272,466	886,905	(63,426,572)

6 Insurance and reinsurance contracts (continued)

(B) Movements in reinsurance contract assets (continued)

(i) Analysis by remaining coverage and incurred claims (continued)

	2025				Total	2024				Total
	Assets for remaining coverage		Assets for incurred claims			Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk		Excluding loss-recovery component	Loss-recovery component	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Cash flow										
Premium paid	69,052,797	–	–	–	69,052,797	97,857,670	–	–	–	97,857,670
Amount received	–	–	(49,939,861)	–	(49,939,861)	–	–	(31,908,134)	–	(31,908,134)
Total cash flows	69,052,797	–	(49,939,861)	–	19,112,936	97,857,670	–	(31,908,134)	–	65,949,536
Closing assets	(56,930,614)	3,030,947	261,825,895	3,586,649	211,512,877	(32,294,795)	32,488	249,295,114	4,324,267	221,357,074
Closing liabilities	(16,702,218)	3,878,687	12,361,145	437,083	(25,303)	(4,002,555)	–	947,130	21,229	(3,034,196)
Net closing balance	(73,632,832)	6,909,634	274,187,040	4,023,732	211,487,574	(36,297,350)	32,488	250,242,244	4,345,496	218,322,878

6 Insurance and reinsurance contracts (continued)

(B) Movements in reinsurance contract assets (continued)

(ii) Analysis by measurement component

	2025						2024					
	CSM						CSM					
	Estimated present value of future cash flows \$	Risk adjustment for non-financial risk \$	Contract under modified retrospective transition approach \$	Contract under fair value transition approach \$	Other contracts \$	Total \$	Estimated present value of future cash flows \$	Risk adjustment for non-financial risk \$	Contract under modified retrospective transition approach \$	Contract under fair value transition approach \$	Other contracts \$	Total \$
Opening asset	191,104,614	6,587,795	(428,362)	116,788	23,976,239	221,357,074	203,665,423	5,056,626	364,702	(4,363,889)	20,092,516	224,815,378
Opening liabilities	(2,239,095)	46,930	–	(136,260)	(705,771)	(3,034,196)	(8,172,739)	579,789	66,879	(3,237,583)	1,748,190	(9,015,464)
Net opening balances	188,865,519	6,634,725	(428,362)	(19,472)	23,270,468	218,322,878	195,492,684	5,636,415	431,581	(7,601,472)	21,840,706	215,799,914
Changes in the statement of profit or loss and OCI												
Changes that relate to current services												
Contractual service margin recognised for services received	–	–	92,367	(180,572)	(13,984,484)	(14,072,689)	–	–	(2,697,951)	5,451,378	(14,502,849)	(11,749,422)
Risk adjustment recognised for the risk expired	–	(1,518,386)	–	–	–	(1,518,386)	–	(1,891,699)	–	–	–	(1,891,699)
Experience adjustment	12,202,214	–	–	–	–	12,202,214	(56,395,425)	–	–	–	–	(56,395,425)
Changes that relate to future services												
Contracts initially recognised in the year	(15,169,189)	3,701,219	–	–	13,900,243	2,432,273	(20,193,941)	2,228,323	–	–	18,257,767	292,149
Changes in estimates that adjust the CSM	7,167,922	1,697,061	(92,930)	2,791,991	(11,564,044)	–	(303,988)	(3,228)	1,793,022	2,664,652	(4,150,458)	–
Changes in estimates that do not adjust the CSM	5,624,430	138,308	–	–	–	5,762,738	(469,382)	14,834	–	–	–	(454,548)
Adjustment to liabilities for incurred claims	(36,100,945)	(1,482,389)	–	–	–	(37,583,334)	(6,053,188)	(19,829)	–	–	–	(6,073,017)
Net expenses from reinsurance contracts	17,513,964	329,258	(7,258)	89,637	1,053,906	18,979,507	3,264,504	450,576	65,948	(386,801)	1,186,963	4,581,190

6 Insurance and reinsurance contracts (continued)

(B) Movements in reinsurance contract assets (continued)

(ii) Analysis by measurement component (continued)

	2025					2024						
	CSM					CSM						
	Estimated present value of future cash flows \$	Risk adjustment for non-financial risk \$	Contract under modified retrospective transition approach \$	Contract under fair value transition approach \$	Other contracts \$	Total \$	Estimated present value of future cash flows \$	Risk adjustment for non-financial risk \$	Contract under modified retrospective transition approach \$	Contract under fair value transition approach \$	Other contracts \$	Total \$
Effect of changes in non-performance risk of reinsurers	(116,154)	–	–	–	–	(116,154)	1,341,996	–	–	–	–	1,341,996
Effect of movements in exchange rates	(10,978,773)	(533,193)	32,613	(152,122)	(402,934)	(12,034,409)	6,232,723	219,333	(20,962)	(147,229)	638,339	6,922,204
Total changes in the statement of profit or loss and OCI	(19,856,531)	2,331,878	24,792	2,548,934	(10,997,313)	(25,948,240)	(72,576,701)	998,310	(859,943)	7,582,000	1,429,762	(63,426,572)
Cash flows												
Premiums paid	69,052,797	–	–	–	–	69,052,797	97,857,670	–	–	–	–	97,857,670
Amounts received	(49,939,861)	–	–	–	–	(49,939,861)	(31,908,134)	–	–	–	–	(31,908,134)
Total cash flows	19,112,936	–	–	–	–	19,112,936	65,949,536	–	–	–	–	65,949,536
Closing assets	196,870,046	7,540,626	(467,322)	2,004,920	5,564,607	211,512,877	191,104,614	6,587,795	(428,362)	116,788	23,976,239	221,357,074
Closing liabilities	(8,748,122)	1,425,977	63,752	524,542	6,708,548	(25,303)	(2,239,095)	46,930	–	(136,260)	(705,771)	(3,034,196)
Net closing balance	188,121,924	8,966,603	(403,570)	2,529,462	12,273,155	211,487,574	188,865,519	6,634,725	(428,362)	(19,472)	23,270,468	218,322,878

6 Insurance and reinsurance contracts (continued)

(C) Effect of contracts initially recognised in the year

Insurance

	2025 Profitable contracts issued \$	2024 Profitable contracts issued \$
Estimates of present value of cash outflows – claims and other insurance service expenses payable	225,637,081	161,369,701
Estimates of present value cash inflows	(280,778,446)	(218,381,940)
Risk adjustment for non-financial risk	4,999,902	2,683,188
Contractual service margin	52,792,184	54,654,221
Losses recognised on initial recognition	<u>2,650,721</u>	<u>325,170</u>

Reinsurance

	2025 Reinsurance contracts held \$	2024 Reinsurance contracts held \$
Estimates of present value of cash outflows	(178,171,785)	(150,575,257)
Estimates of present value cash inflows	163,002,596	130,381,316
Risk adjustment for non-financial risk	3,701,219	2,228,323
Contractual service margin	13,900,243	18,257,766
Income recognised on initial recognition	<u>2,432,273</u>	<u>292,148</u>

6 Insurance and reinsurance contracts (continued)

(D) Contractual service margin

The following table sets out when the Branch expects to recognise the remaining CSM in profit or loss after the reporting date for contracts measured under the general measurement model (GMM).

	1 year or less \$	1-2 years \$	2-3 years \$	3-4 years \$	4-5 years \$	More than 5 years \$	Total \$
2025							
<i>Insurance contracts liabilities</i>	21,998,659	18,424,834	10,448,168	6,475,072	3,817,773	7,846,981	69,011,487
<i>Reinsurance contracts liabilities</i>	2,861,159	1,476,582	1,069,846	660,268	487,685	741,302	7,296,842
<i>Reinsurance contracts assets</i>	751,228	460,423	1,096,142	1,298,253	849,613	2,646,546	7,102,205
2024							
<i>Insurance contracts liabilities</i>	22,168,512	17,048,742	10,270,227	6,588,698	4,190,667	7,625,422	67,892,268
<i>Insurance contracts assets</i>	223,938	263,815	16,215	14,232	14,232	593	533,025
<i>Reinsurance contracts liabilities</i>	(283,811)	(499,701)	(23,549)	(19,752)	(19,752)	4,534	(842,031)
<i>Reinsurance contracts assets</i>	5,419,790	4,908,434	4,271,724	2,359,149	1,670,420	5,035,148	23,664,665

6 Insurance and reinsurance contracts (continued)

(E) Claim development

Loss development tables

2025

The loss development table presented below is gross of reinsurance. All items (including cumulative payments to date) are revalued based on the foreign exchange rates as at year end.

Underwriting year	2017 & Prior \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	2025 \$	Total \$
Estimate of undiscounted ultimate claims costs										
At the end of year	347,553,510	105,390,578	52,212,886	60,288,834	26,351,312	49,712,489	45,039,960	74,440,129	85,834,935	
One year later	348,571,236	98,960,737	162,260,386	139,971,635	81,157,792	71,312,567	88,770,075	122,242,256		–
Two years later	325,910,289	96,802,269	168,055,574	131,128,110	114,169,929	78,597,824	73,157,568			–
Three years later	380,452,263	99,751,524	169,737,412	130,848,838	116,298,359	70,100,165				–
Four years later	370,998,719	95,097,887	169,683,344	128,312,039	100,622,979					–
Five years later	383,771,739	96,638,282	172,333,153	112,046,731						–
Six years later	371,172,357	95,370,069	161,008,972							–
Seven years later	359,124,975	94,957,131								–
Eight years later	367,499,228									–
Current estimate of cumulative ultimate claims	367,499,228	94,957,131	161,008,972	112,046,731	100,622,979	70,100,165	73,157,568	122,242,256	85,834,935	1,187,469,965
Cumulative payments to date (include loss portfolio transferred)	349,739,246	80,487,600	140,571,645	87,902,390	82,954,193	27,055,439	28,979,826	49,642,101	9,570,198	856,902,638
Best estimate outstanding										
Liabilities in respect of earlier years	17,759,982	14,469,531	20,437,327	24,144,341	17,668,786	43,044,726	44,177,742	72,600,155	76,264,737	330,567,327
Effect of discounting	(2,215,635)	(1,210,263)	(2,518,000)	(1,702,772)	(1,598,081)	(3,479,606)	(3,251,346)	(6,406,803)	(6,986,854)	(29,369,360)
Risk Adjustment	261,693	182,831	552,675	269,012	208,064	486,893	445,361	848,449	952,329	4,207,307
Gross liabilities for incurred claims included in the statement of financial position										
	15,806,040	13,442,099	18,472,002	22,710,581	16,278,769	40,052,013	41,371,757	67,041,801	70,230,212	305,405,274

6 Insurance and reinsurance contracts (continued)

(E) Claim development (continued)

Loss development tables (continued)

2025 (continued)

The loss development tables presented below is net of reinsurance. All items (including cumulative payments to date) are revalued based on the foreign exchange rates as at year end.

Underwriting year	2017 & Prior \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	2025 \$	Total \$
Estimate of undiscounted ultimate claims costs										
At the end of year	164,567,751	41,604,203	5,187,123	5,980,068	2,288,864	(3,148,718)	17,229,395	54,888,880	17,175,831	
One year later	166,200,185	26,103,073	13,951,143	13,006,236	32,096,263	7,038,622	39,919,684	51,666,269	–	
Two years later	147,782,197	20,366,052	7,122,694	12,553,580	60,230,004	7,399,738	19,305,985	–	–	
Three years later	167,446,666	20,212,646	8,719,215	12,588,772	60,300,377	5,210,023	–	–	–	
Four years later	167,971,773	19,720,824	9,346,721	(1,150,688)	58,880,760	–	–	–	–	
Five years later	175,401,846	19,224,023	9,642,548	11,196,189	–	–	–	–	–	
Six years later	169,916,636	18,986,586	8,788,453	–	–	–	–	–	–	
Seven years later	165,338,628	18,985,279	–	–	–	–	–	–	–	
Eight years later	169,586,515	–	–	–	–	–	–	–	–	
Current estimate of cumulative ultimate claims	169,586,515	18,985,279	8,788,453	11,196,189	58,880,760	5,210,023	19,305,985	51,666,269	17,175,831	360,795,304
Cumulative payments to date (include loss portfolio transferred)	160,415,800	17,269,676	6,335,660	8,084,115	57,739,879	16,394,831	14,959,455	45,857,847	9,449,845	336,507,108
Best estimate outstanding										
Liabilities in respect of earlier years	9,170,715	1,715,603	2,452,793	3,112,074	1,140,881	(11,184,808)	4,346,530	5,808,422	7,725,986	24,288,196
Effect of discounting	(1,205,564)	57,998	1,534,135	228,611	(126,191)	1,519,925	256,698	210,840	246,278	2,722,730
Risk Adjustment	126,230	13,684	104,376	18,145	17,719	(257,734)	28,338	60,331	72,487	183,576
Net liabilities for incurred claims included in the statement of financial position	8,091,381	1,787,285	4,091,304	3,358,830	1,032,409	(9,922,617)	4,631,566	6,079,593	8,044,751	27,194,502

6 Insurance and reinsurance contracts (continued)

(E) Claim development (continued)

Loss development tables

2024

The loss development table presented below is gross of reinsurance. All items (including cumulative payments to date) are revalued based on the foreign exchange rates as at year end.

Underwriting year	2016 & Prior \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Total \$
Estimate of undiscounted ultimate claims costs										
At the end of year	256,012,935	91,540,574	105,390,578	52,212,886	60,288,834	26,351,312	49,712,489	45,039,960	74,440,129	
One year later	251,862,181	96,709,056	98,960,737	162,260,386	139,971,635	81,157,792	71,312,567	88,770,075		
Two years later	225,032,348	100,877,941	96,802,269	168,055,574	131,128,110	114,169,929	78,597,824			
Three years later	272,411,338	108,040,925	99,751,524	169,737,412	130,848,838	116,298,359				
Four years later	267,608,212	103,390,508	95,097,887	169,683,344	128,312,039					
Five years later	283,800,372	99,971,366	96,638,282	172,333,153						
Six years later	275,126,207	96,046,150	95,370,069							
Seven years later	264,157,682	94,967,293								
Eight years later	267,267,409									
Current estimate of cumulative ultimate claims	267,267,409	94,967,293	95,370,069	172,333,153	128,312,039	116,298,359	78,597,824	88,770,075	74,440,129	1,116,356,350
Cumulative payments to date (include loss portfolio transferred)	246,461,008	91,326,172	79,643,939	133,688,649	85,678,014	78,219,199	9,634,425	17,550,129	44,100,529	786,302,064
Best estimate outstanding										
Liabilities in respect of earlier years	20,806,401	3,641,121	15,726,130	38,644,504	42,634,025	38,079,160	68,963,399	71,219,946	30,339,600	330,054,286
Effect of discounting	(3,388,023)	(626,141)	(1,816,567)	(5,671,778)	(4,288,602)	(4,180,511)	(8,204,017)	(6,548,855)	(3,157,709)	(37,882,203)
Risk Adjustment	433,611	80,323	236,153	1,131,247	546,207	500,553	1,003,031	903,050	431,218	5,265,393
Gross liabilities for incurred claims included in the statement of financial position	17,851,989	3,095,303	14,145,716	34,103,973	38,891,630	34,399,202	61,762,413	65,574,141	27,613,109	297,437,476

6 Insurance and reinsurance contracts (continued)

(E) Claim development (continued)

Loss development tables (continued)

2024 (continued)

The loss development tables presented below is net of reinsurance. All items (including cumulative payments to date) are revalued based on the foreign exchange rates as at year end.

Underwriting year	2016 & Prior \$	2017 \$	2018 \$	2019 \$	2020 \$	2021 \$	2022 \$	2023 \$	2024 \$	Total \$
Estimate of undiscounted ultimate claims costs										
At the end of year	123,209,420	41,358,331	41,604,203	5,187,123	5,980,068	2,288,864	(3,148,718)	17,229,395	54,888,880	
One year later	121,444,875	44,755,310	26,103,073	13,951,143	13,006,236	32,096,263	7,038,622	39,919,684	–	
Two years later	101,733,873	46,048,324	20,366,052	7,122,694	12,553,580	60,230,004	7,399,738	–	–	
Three years later	117,788,462	49,658,205	20,212,646	8,719,215	12,588,772	60,300,377	–	–	–	
Four years later	122,923,615	45,048,158	19,720,824	9,346,721	(1,150,688)	–	–	–	–	
Five years later	131,229,902	44,171,943	19,224,023	9,642,548	–	–	–	–	–	
Six years later	127,650,086	42,266,550	18,986,585	–	–	–	–	–	–	
Seven years later	123,611,579	41,727,048	–	–	–	–	–	–	–	
Eight years later	125,089,907	–	–	–	–	–	–	–	–	
Current estimate of cumulative ultimate claims	125,089,907	41,727,048	18,986,585	9,642,548	(1,150,688)	60,300,377	7,399,738	39,919,684	54,888,880	356,804,079
Cumulative payments to date (include loss portfolio transferred)	115,596,149	39,711,985	17,251,578	6,539,550	19,769,951	57,152,722	1,145,931	14,584,043	44,094,485	315,846,394
Best estimate outstanding										
Liabilities in respect of earlier years	9,493,758	2,015,063	1,735,007	3,102,998	(20,920,639)	3,147,655	6,253,807	25,335,641	10,794,395	40,957,685
Effect of discounting	(1,578,664)	(311,468)	68,792	1,942,869	2,980,573	(133,076)	122,497	(1,591,752)	(527,618)	972,153
Risk Adjustment	210,738	39,503	20,773	215,938	(219,401)	44,000	52,083	353,927	202,337	919,898
Net liabilities for incurred claims included in the statement of financial position	8,125,832	1,743,098	1,824,572	5,261,805	(18,159,467)	3,058,579	6,428,387	24,097,816	10,469,114	42,849,736

7 Cash and cash equivalents

	2025	2024
	\$	\$
Cash and bank balances	<u>5,264,511</u>	<u>4,017,547</u>

All cash and cash equivalents are current in nature. The carrying amounts of cash and cash equivalents approximate their fair values.

8 Other receivables

	2025	2024
	\$	\$
Amount due from head office	98,612	–
Amount due from related companies	12,219,445	11,960,463
Prepayments	66,396	–
Other receivables - third parties	5,990,256	8,537,643
	<u>18,374,709</u>	<u>20,498,106</u>

The non-trade amounts due from related companies are unsecured, interest bearing and are recoverable on demand.

All other receivables are current, and the carrying amounts approximate their fair values.

9 Other payables

	2025	2024
	\$	\$
Payables consist of:		
- amounts due to head office	–	63,747
- amounts due to related companies	20,619,364	16,600,052
- other accrued expenses and provisions	6,409,183	8,295,137
	<u>27,028,547</u>	<u>24,958,936</u>

Payables are unsecured and are repayable on demand.

All other payables are current, and their carrying amounts approximate their fair values.

10 Insurance revenue

	Note	2025 \$	2024 \$
Amounts relating to the changes in the liability for remaining coverage			
Expected insurance service expenses incurred in the period		114,269,633	101,061,290
Experience adjustment for current services		(9,477,922)	12,817,139
Changes in the risk adjustment for non-financial risk		3,154,371	2,670,702
Amount of CSM recognised in profit or loss		49,555,339	48,950,657
Amounts relating to recovery of insurance acquisition cash flows			
Allocation of the portion of premiums that relate to the recovery of insurance acquisition cash flows		22,007,355	34,622,457
Insurance revenue	<i>6(A)(i)</i>	179,508,776	200,122,245

11 Net expenses from reinsurance contracts

	Note	2025 \$	2024 \$
Amounts relating to the changes in the assets for remaining coverage			
Expected recovery for insurance service expenses incurred in the period		(100,430,396)	(97,304,100)
Change in the risk adjustment for non-financial risk		(2,879,341)	(2,368,921)
Net cost recognised in profit or loss		(14,072,689)	(11,749,422)
Allocation of reinsurance premiums	<i>6(B)(i)</i>	<u>(117,382,426)</u>	<u>(111,422,443)</u>
Amounts recoverable for claims and other expenses incurred in the period		113,993,565	41,385,897
Changes in amounts recoverable arising from changes in liability for incurred claims		(37,583,334)	(6,073,017)
Changes in fulfilment cash flows which relate to onerous underlying contracts		8,195,011	(162,399)
Amounts recoverable from reinsurance contacts held		<u>84,605,242</u>	<u>35,150,481</u>
Effect of changes in non-performance risk of reinsurers		(116,154)	1,341,996
Net expense from reinsurance contracts held	<i>6(B)(i)</i>	<u>(32,893,338)</u>	<u>(74,929,966)</u>

12 Net financial results

	2025 \$	2024 \$
Insurance finance expenses from insurance contracts issued		
Interest accreted to insurance contracts using current financial assumptions	(8,413,922)	(7,866,170)
Interest accreted to insurance contracts using locked-in rate	(4,305,438)	(4,330,960)
Effects of changes in interest rates and other financial assumptions	(8,572,031)	4,059,128
Net foreign exchange income	9,135,957	(4,754,207)
Total insurance finance expenses from insurance contracts issued	<u>(12,155,434)</u>	<u>(12,892,209)</u>
Represented by:		
Amounts recognised in profit or loss	(1,736,993)	(14,757,263)
Amounts recognised in OCI	(10,418,443)	1,865,054

12 Net financial results (continued)

	2025	2024
	\$	\$
Reinsurance finance income from reinsurance contracts held		
Interest accreted to reinsurance contracts using locked-in rate	1,136,284	866,110
Due to changes in interest rates and other financial assumptions	17,843,223	3,715,080
Net foreign exchange expense	(12,034,409)	6,922,204
Reinsurance finance income from reinsurance contracts held	<u>6,945,098</u>	<u>11,503,394</u>
Represented by:		
Amounts recognised in profit or loss	(3,543,449)	16,187,414
Amounts recognised in OCI	<u>10,488,547</u>	<u>(4,684,020)</u>

Insurance finance expenses and reinsurance finance income

	2025	2024
	\$	\$
Insurance finance expenses and reinsurance finance income		
Recognised in profit or loss	(5,280,442)	1,430,151
Recognised in OCI	70,104	(2,818,966)
Total	<u>(5,210,338)</u>	<u>(1,388,815)</u>

13 Head Office contributions

In 2025, the Branch made capital repatriation of \$9,500,000 (2024: \$15,000,000) to the Head Office.

14 Other investment revenue

	2025	2024
	\$	\$
Net gains/(losses) on derecognition of financial asset	5,354	(16,651)
Interest income	5,199,861	7,507,471
Investment expenses	(29,467)	(19,928)
	<u>5,175,748</u>	<u>7,470,892</u>

15 Expenses

	Note	2025 \$	2024 \$
Incurring claims		31,134,239	33,124,302
Commissions		22,007,355	34,622,457
Losses on onerous insurance contracts		4,044,093	7,088,169
Employee compensation			
-Wages and salaries		23,649,533	23,988,553
-Employers contribution to defined contribution plans		1,542,749	1,521,159
-Other benefits		3,711,577	1,758,470
Management fees		75,327,658	70,603,841
Recovery of expenses from:			
- head office		(1,035,713)	(569,893)
- fellow branches		(20,995,047)	(20,534,716)
- related companies		(30,872,320)	(30,528,126)
Entertainment expenses		179,818	174,125
Travelling expenses		1,037,861	937,462
Licence and associations fees		4,191	101,502
Marketing expenses		378,268	400,023
Depreciation	4	2,289	3,433
Other expenses		1,610,967	2,157,920
		<u>111,727,518</u>	<u>124,848,681</u>
Insurance service expenses	6(A)(i)	105,329,229	118,758,477
Other operating expenses		6,398,289	6,090,204
		<u>111,727,518</u>	<u>124,848,681</u>

16 Income tax

Major components of income tax expense for the financial years ended 31 December were:

	2025 \$	2024 \$
Current income tax		
Current year	4,696,383	1,598,518
Deferred tax expense		
Origination and reversal of temporary differences	601,264	(1,913,309)
Tax expense recognised in profit or loss	<u>5,297,647</u>	<u>(314,791)</u>

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates are as follows:

16 Income tax (continued)

	2025	2024
	\$	\$
<i>Reconciliation of effective tax rate</i>		
Profit before tax	30,801,794	11,938,129
Tax calculated using Singapore tax rate of 17% (2024: 17%)	5,236,305	2,029,482
Expenses not deductible for tax purposes	68,212	153,386
Income subject to concessionary tax rate of 10%	–	352,314
Utilisation of previously unrecognised tax losses	–	(2,236,352)
Change in unrecognised temporary differences	–	(750,122)
Others	(6,870)	136,501
	<u>5,297,647</u>	<u>(314,791)</u>

Deferred tax as at 31 December relates to the following:

	2025	2024
	\$	\$
Deferred tax assets	28,423,290	28,423,291
Deferred tax liabilities	(27,242,886)	(26,211,246)
Net deferred tax assets	<u>1,180,404</u>	<u>2,212,045</u>

Deferred tax

The movement in the net deferred tax is as follows:

Balance at the beginning of the year	2,212,045	695,040
Deferred tax charge taken to the Profit or Loss Statement:		
Other temporary differences	(601,267)	1,913,309
Deferred tax on insurance/reinsurance finance reserve	(11,916)	281,896
Deferred tax on investments on FVOCI	(418,458)	(678,200)
Balance at the end of the year	<u>1,180,404</u>	<u>2,212,045</u>

Deferred taxes at 31 December related to the following:

Net unrealised gains on investments	(138,914)	279,544
Differences in tax basis for insurance/reinsurance contract liabilities	1,257,174	1,858,439
Fair value changes of investments on FVOCI	62,144	74,062
Net deferred tax assets	<u>1,180,404</u>	<u>2,212,045</u>

16 Income tax (continued)

Unutilised tax losses

Deferred tax assets have not been recognised for these tax losses as the realisation of the related tax benefits through future taxable profits is not probable.

International Tax Reform - Pillar Two Model Rules (Amendments to FRS 12)

Singapore has enacted Pillar 2 legislation to implement a 15% domestic minimum tax with effect from 1 January 2025. Based on management's assessment, the Branch has an effective tax rate of at least 15% for the financial year 2025 and is therefore not allocated any Pillar 2 top-up taxes.

The Branch has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as a current tax if and when it is incurred.

17 Insurance and financial risk management

17.1 Insurance risk

The risk under an insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Branch faces the possibility of incurring higher claims costs than expected owing to the nature of the claims, their frequency and severity and the risk of change in legal or economic conditions or behavioural patterns affecting pricing and conditions of insurance or reinsurance cover.

17 Insurance and financial risk management (continued)

17.1 Insurance risk (continued)

The Branch seeks to minimise and manage these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The Branch's underwriting policy supports the seeking of risks with adequate pricing that is commensurate with the risk profiles and claims experience.

The underwriting strategy attempts to ensure that there are appropriate risk criteria set. There are underwriting policies setting the Branch's risk appetite, risk management and control. Also in place are underwriting and claims authority limits which helps to manage the risks involved. Where applicable, the Branch has the right not to renew any policy, impose deductibles and reject payment of any fraudulent claim.

(a) Management of insurance risks

A variety of actuarial methods and assumptions are normally employed to estimate losses for the business although the most common is the Bornhuetter-Ferguson loss development method. These methods ordinarily involve the use of loss development factors intended to reflect the estimated annual growth in loss costs from one development year to the next. Loss development factors reflect many items including changes in claims handling, exposure and treaty conditions; current and future estimates of monetary inflation and social inflation and increases in litigation and awards. These factors are periodically reviewed and subsequently adjusted, as appropriate, to reflect emerging trends which are based upon past loss experience. Thus, many factors are implicitly considered in estimating the year-to-year growth in loss costs recognised.

A number of actuarial assumptions are made in the review of reserves for each line of business. Changes in these actuarial assumptions could result in a corresponding significant change in the estimate of insurance liabilities.

These actuarial assumptions generally are made with respect to the following:

- Loss development factors which are used to establish expected loss ratios for subsequent underwriting years based on the loss ratio for prior underwriting years. The expected loss ratio generally reflects the loss ratio from prior underwriting years, adjusted for the loss development and the impact of treaty condition changes and other quantifiable factors.
- Loss development factors which are used to project the reported losses for each underwriting year to an ultimate basis.

(i) Loss reserves

Outstanding claims reserves include unpaid losses, loss adjustment expenses and estimates for ultimate reserves for incurred but not reported ('IBNR claims').

17 Insurance and financial risk management (continued)

17.1 Insurance risk (continued)

(a) Management of insurance risks (continued)

(i) Loss reserves (continued)

The reserves represent estimates of future payments of reported and unreported claims for losses and related expenses with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgements. Significant delays occur in the notification of claims and a substantial measure of experience and judgement is involved in assessing the outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the reporting date. The reserves for losses and loss adjustment expenses are determined on the basis of information currently available and assessed regularly based on factors which includes the levels of business and actual claims development. The statistics are divided by class of business and arranged on a policy year basis. Estimates of ultimate outcome are assessed by policy year allowing for past experience, levels of business and known claims trends.

The establishment of an ultimate outcome for older policy years has higher certainty. IBNR is established mainly to allow for the adverse deterioration in the case of more recent years, and the most recent year in particular. Significant IBNR is established, which experience has shown to be generally more conservative than the ultimate outcome. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Ultimate reserves for IBNR are established for the Swiss Re Group as a whole. IBNR reflecting this approach is allocated to the Branch on a consistent basis and comfort should be taken from looking at the development of earlier policy years that conservative provisions have been established reflecting an allowance for adverse deviation.

(ii) Reinsurance

The Branch cedes insurance premiums and risks in the normal course of its business in order to limit the potential for single large loss or losses arising from a single event or longer exposures. Reinsurance does not, however, relieve the originating insurer of its liability. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the claims liability associated with the reinsured policy. Reinsurance is presented at gross in the balance sheet unless a right of offset exists.

17 Insurance and financial risk management (continued)

17.1 Insurance risk (continued)

(b) Concentration of insurance risk

The carrying amounts of the Branch's insurance contracts (net of reinsurance) are analysed below by type of product.

	2025	2024
	\$	\$
Agriculture (Agro)	(9,098)	(11,663)
Aviation	(629,136)	1,472,408
Commercial Credit & Misc	13,119,488	(16,678,944)
Engineering Annual Risk	216,230	(1,222,121)
Engineering Single Risk & Misc	(12,474,175)	(13,273,637)
Marine Cargo	(168,994)	(142,692)
Marine exc Cargo	(3,353,955)	337,305
Natural Catastrophes (Nat Cat)	(916,752)	(446,119)
Political Risk	(3,565,265)	7,454,279
Professional Liability	(20,057,344)	(13,699,112)
Property exc Agro	(25,077,644)	(17,111,686)
Public Liability	7,478,255	19,513,157
Surety	(2,399,138)	(6,249,177)
	<u>(47,837,528)</u>	<u>(40,058,002)</u>

17.2 Financial risk management

The Branch's activities also expose it to a variety of financial risks, including the effects of changes in debt market prices and foreign currency exchange rates.

Financial risk management objectives

The Branch is exposed to financial risk through its financial assets, financial liabilities, policyholder liabilities and reinsurance assets. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from claims as they fall due. The most important components of this financial risk are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Branch manages these positions within an investment strategy that has been developed with the following objectives:

- (i) to preserve capital in reasonably liquid investments to pay claims
- (ii) to maximise returns to the Branch's income needs

The Branch's investment strategy is integrated with the management of the financial risks associated with the Branch's other financial assets and liabilities not directly associated with insurance and investment liabilities. The Branch does not use hedge accounting.

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(a) Market risk

Currency risk

The foreign exchange exposures arise mainly from exchange rate movements of the United States Dollar ('USD'), Australian Dollar ('AUD') and Chinese Yuan ('CNY') against the Singapore Dollar ('SGD'). The Branch manages its exposure to foreign exchange risk by monitoring its level of assets and liabilities that are denominated in foreign currencies.

	CSM		Profit or loss		Equity	
	Strengthening	Weakening	Strengthening	Weakening	Strengthening	Weakening
	\$	\$	\$	\$	\$	\$
2025						
USD (5% movement)						
Insurance and reinsurance contracts	2,329,136	(2,329,136)	3,948,837	(3,948,837)	10,594,128	(10,594,128)
Financial instruments	–	–	1,034,118	(1,034,118)	5,475,392	(5,475,392)
	<u>2,329,136</u>	<u>(2,329,136)</u>	<u>4,982,955</u>	<u>(4,982,955)</u>	<u>16,069,520</u>	<u>(16,069,520)</u>
AUD (5% movement)						
Insurance and reinsurance contracts	(11,423)	11,423	(859,846)	859,846	(2,176,512)	2,176,512
CNY (5% movement)						
Insurance and reinsurance contracts	(104,972)	104,972	(1,621,316)	1,621,316	(3,504,835)	3,504,835
2024						
USD (5% movement)						
Insurance and reinsurance contracts	1,074,811	(1,094,033)	3,241,344	(3,222,121)	10,207,490	(10,207,490)
Financial instruments	–	–	891,102	(891,102)	3,387,051	(3,387,051)
	<u>1,074,811</u>	<u>(1,094,033)</u>	<u>4,132,446</u>	<u>(4,113,223)</u>	<u>13,594,541</u>	<u>(13,594,541)</u>
AUD (5% movement)						
Insurance and reinsurance contracts	(80,166)	80,166	(1,225,077)	1,225,077	(2,563,801)	2,563,801
CNY (5% movement)						
Insurance and reinsurance contracts	(99,093)	99,093	(1,679,453)	1,679,453	(2,941,106)	2,941,106

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(a) Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Branch is not exposed to significant fair value interest rate risk as its financial assets comprise short term securities. The Branch is exposed to cash flow interest rate risk on these securities and accepts the exposure of cash flow interest rate risk as it arises.

An analysis of the Branch's sensitivity to a +/- 25 basis points change in the interest rate at the reporting date, assuming that all other variables remain constant, is presented below:

	Change in Assumptions	Impact on CSM \$	Gross Impact on profit or loss \$	Impact on equity \$	Impact on CSM \$	Net Impact on profit or loss \$	Impact on equity \$
2025							
Insurance and reinsurance contracts	+25 basis points	753,879	2,706,913	6,423,760	(185,056)	1,332,592	2,540,569
	-25 basis points	(793,229)	(2,857,852)	(6,661,678)	204,009	(1,402,739)	(2,611,950)
2024							
Insurance and reinsurance contracts	+25 basis points	501,840	2,461,127	5,507,879	(36,089)	1,429,122	1,615,596
	-25 basis points	(520,532)	(2,490,065)	(5,597,458)	25,072	(1,438,291)	(1,641,591)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Branch. The Branch structures the level of credit risk it accepts by placing limits on its exposure to a single counter party, or groups of counter-parties.

The Branch's investments in debt securities include counterparties having appropriate credit rating by Standard and Poor's ('S&P') rating or equivalent when not available from S&P. The cash deposits are also placed by the Branch with financial institutions having appropriate credit rating (minimum of investment grade) by S&P rating or equivalent when not available from S&P. The Branch has also policies in place to ensure the rendering of services are made via brokers with an appropriate credit history.

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(b) Credit risk (continued)

The Branch has established credit policies that govern credit approval, review and monitoring processes and impairment assessment processes to manage credit risk. The credit policies also lay down the actions to be taken to handle debts overdue for a certain period of time. There are also quarterly management reports showing the aging analysis of balances overdue which are submitted for management review and discussion in the meeting. Outstanding receivables are analysed on the basis of the length of time that has passed since the due date with the following distribution; less than 3 months, 4-6 months, 7-12 months, and over 1 year. These analysis comprise the basis for various collections activities, as does the supporting documentation regarding the assessment of the counter-party's credit risk status and any write-down requirements.

Financial assets that are neither past due nor impaired mainly comprise:

- Deposits with financial institutions with appropriate credit rating by international credit rating agencies;
- Government securities, with appropriate credit rating by international credit rating agencies; and
- Insurance receivables from its counterparties with good collection track record with the Branch.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	AAA \$	AA \$	A \$	BBB+ or less or not rated \$	Total \$
2025					
Financial investments - measured at fair value	49,250,724	55,454,631	30,910,412	22,515,228	158,130,995
Financial investments - measured at amortised cost	18,372,511	20,682,361	–	–	39,054,872
Cash and cash equivalents	–	4,640,495	624,016	–	5,264,511
Other receivables	–	12,318,057	–	6,056,652	18,374,709
Reinsurance contract asset	–	212,545,131	–	–	212,545,131
Total assets bearing credit risk	67,623,235	305,640,675	31,534,428	28,571,880	433,370,218

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(b) Credit risk (continued)

	AAA \$	AA \$	A \$	BBB+ or less or not rated \$	Total \$
2024					
Financial investments - measured at fair value	639,103	10,313,315	26,425,591	61,810,956	99,188,965
Financial investments - measured at amortised cost	–	17,822,038	–	53,820,597	71,642,635
Cash and cash equivalents	–	3,757,973	259,574	–	4,017,547
Other receivables	–	11,960,463	–	8,537,643	20,498,106
Insurance contract asset	–	–	–	410,529	410,529
Reinsurance contract asset	–	221,834,922	–	–	221,834,922
Total assets bearing credit risk	<u>639,103</u>	<u>265,688,711</u>	<u>26,685,165</u>	<u>124,579,725</u>	<u>417,592,704</u>

Based on the nature of cash and cash equivalents and the Branch's historic credit loss experience, no lifetime credit loss is expected on cash and cash equivalents. No loss has therefore been recognised in the current year. The carrying value of cash and cash equivalents approximates fair value due to its short-term nature.

The carrying amount of other receivables (excluding prepayments) individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	2025 \$	2024 \$
Financial investments - measured at amortised cost	39,055,499	71,643,910
Less: Allowance for impairment	(627)	(1,275)
	<u>39,054,872</u>	<u>71,642,635</u>
Beginning of financial year	1,275	638
Net remeasurement of allowance for impairment	(648)	637
End of financial year	<u>627</u>	<u>1,275</u>

There is no other class of financial assets that is past due and/or impaired.

(c) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Branch maintains sufficient liquid securities to pay reasonably foreseeable claims payments. The Branch also reviews, on a regular basis, the time period required to liquidate the investment portfolio.

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(c) Liquidity risk (continued)

The table below provides a maturity analysis of the Branch's financial assets and liabilities based on contractual undiscounted cash flows.

(i) Maturity analysis – Financial instruments

	Carrying value \$	<1 Year \$	1-5 Years \$	>5 Years \$	Total \$
2025					
Financial Assets					
Financial investment - FVOCI	158,130,995	104,387,120	26,984,645	26,759,230	158,130,995
Financial investment - Amortised cost	39,054,872	39,054,872	–	–	39,054,872
Other receivables	18,374,709	18,374,709	–	–	18,374,709
Cash and cash equivalents	5,264,511	5,264,511	–	–	5,264,511
	<u>220,825,087</u>	<u>167,081,212</u>	<u>26,984,645</u>	<u>26,759,230</u>	<u>220,825,087</u>
Financial Liabilities					
Other payables	<u>27,028,547</u>	<u>27,028,547</u>	–	–	<u>27,028,547</u>
	Carrying value \$	<1 Year \$	1-5 Years \$	>5 Years \$	Total \$
2024					
Financial Assets					
Financial investment - FVOCI	99,188,965	42,280,812	32,923,747	23,984,406	99,188,965
Financial investment - Amortised cost	71,642,635	71,642,635	–	–	71,642,635
Other receivables	20,498,106	20,498,106	–	–	20,498,106
Cash and cash equivalents	4,017,547	4,017,547	–	–	4,017,547
	<u>195,347,253</u>	<u>138,439,100</u>	<u>32,923,747</u>	<u>23,984,406</u>	<u>195,347,253</u>
Financial Liabilities					
Other payables	<u>24,958,936</u>	<u>24,958,936</u>	–	–	<u>24,958,936</u>

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(c) Liquidity risk (continued)

The following table provides a maturity analysis of Branch's insurance and reinsurance contracts, which reflects the dates on which the cash flows are expected to occur.

(ii) Maturity analysis – Insurance and reinsurance contracts

	Carrying value \$	Estimates of present value of future cash flows						Total \$
		<1 Year \$	1-2 Years \$	2-3 Years \$	3-4 Years \$	4-5 Years \$	> 5 Years \$	
2025								
Reinsurance contract assets	212,545,131	(49,035,609)	54,505,803	66,112,163	37,626,629	26,884,147	76,451,998	212,545,131
Insurance contract liabilities	(287,149,594)	33,216,730	(81,994,233)	(70,436,359)	(47,217,649)	(32,177,863)	(88,540,220)	(287,149,594)
Reinsurance contract liabilities	(25,303)	11,273,697	14,515,549	5,403,175	(1,192,394)	(1,745,879)	(28,279,451)	(25,303)
	<u>(74,629,766)</u>	<u>(4,545,182)</u>	<u>(12,972,881)</u>	<u>1,078,979</u>	<u>(10,783,414)</u>	<u>(7,039,595)</u>	<u>(40,367,673)</u>	<u>(74,629,766)</u>
2024								
Insurance contract assets	410,529	2,554,373	(470,915)	(279,187)	(300,206)	(260,672)	(832,864)	410,529
Reinsurance contract assets	221,834,922	(10,977,261)	52,946,411	57,323,433	32,515,783	22,411,910	67,614,646	221,834,922
Insurance contract liabilities	(292,734,451)	3,161,629	(79,134,564)	(61,756,371)	(41,716,607)	(28,942,632)	(84,345,906)	(292,734,451)
Reinsurance contract liabilities	(3,034,196)	(3,228,989)	(889,795)	136,125	175,813	179,098	593,552	(3,034,196)
	<u>(73,523,196)</u>	<u>(8,490,248)</u>	<u>(27,548,863)</u>	<u>(4,576,000)</u>	<u>(9,325,217)</u>	<u>(6,612,296)</u>	<u>(16,970,572)</u>	<u>(73,523,196)</u>

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(d) Capital risk

The Branch's objectives relating to managing capital are as follows:

- To comply with the capital requirements under the Insurance Act;
- To safeguard the Branch's ability to continue as a going concern so that it can continue to provide returns to its shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

As a general insurer who conducts its business in Singapore, the Branch is registered with the Monetary Authority of Singapore and is subject to the prudential standards which set out the basis for calculating the fund solvency requirements ('FSR') and capital adequacy requirement ('CAR') which is a minimal level of capital that must be held to meet policyholders' obligations. The FSR and CAR apply a risk-based approach to capital adequacy and are determined to be the aggregate of the risk requirement of the insurance funds established and maintained by the insurer under the Insurance Act 1966.

It is the Branch's policy to hold capital levels in excess of FSR and CAR with the aim of having sufficient capital and liquidity to meet its outstanding liabilities.

The Branch is in compliance with the FSR and CAR requirements for the financial year ended 31 December 2025.

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(e) Fair value measurements

The Branch's assets measured at fair value are its fair value through profit or loss financial assets and available-for-sale financial assets, which are classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (is as prices) or indirectly (i.e., derived from prices) (Level 2); and
- (ii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

	Level 1 \$	Level 2 \$	Total \$
2025			
Financial investments - measured at fair value	86,900,778	71,230,217	158,130,995
2024			
Financial investments - measured at fair value*	41,676,653	57,512,312	99,188,965

* Comparatives have been re-presented to reflect appropriate fair value hierarchy classification between Level 1 and Level 2, with no impact on reported amounts.

The fair value of level 1 financial instruments traded in active markets (at available-for-sale) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Branch is the current bid price. The fair value of level 2 financial instruments is determined using broker quotes at the reporting date.

The carrying value less impairment provision of current trade receivables and payables approximate to their fair values. The fair value of financial liabilities approximates their carrying amount.

17 Insurance and financial risk management (continued)

17.2 Financial risk management (continued)

(f) Financial instruments by category

The carrying amounts of financial assets measured at fair value through other comprehensive income and amortised cost (Note 5) are disclosed on the face of the balance sheet.

The carrying amounts of financial assets and financial liabilities are as follows:

	2025	2024
	\$	\$
Financial assets		
Loans and receivables		
- Cash and cash equivalents	5,264,511	4,017,547
- Other receivables (excludes prepayment)	18,308,313	20,498,106
Financial investments - measured at fair value	158,130,995	99,188,965
Financial investments - measured at amortised cost	39,054,872	71,642,635
	<u>220,758,691</u>	<u>195,347,253</u>
Financial liabilities		
Financial liabilities at amortised cost		
- Other payables	27,028,547	24,958,936
	<u>27,028,547</u>	<u>24,958,936</u>

18 Related parties

Income and charges for services rendered

The Branch mainly cedes premiums to its related company under a quota share reinsurance agreement.

	2025	2024
	\$	\$
Insurance revenue from related company	17,839,121	29,512,849
Insurance service expenses paid to related company	(5,876,636)	(7,414,390)
Allocation of reinsurance premiums to related company	(112,517,906)	(106,453,871)
Amounts recoverable from related company for incurred claims	83,431,429	34,281,502
Expenses paid to related companies	(39,757,857)	(40,551,091)
Expenses paid to head office	(998,132)	(904,694)
Expenses paid to fellow branches	(34,571,669)	(29,255,718)
Recovery of expense incurred from		
- head office	1,035,713	575,130
- fellow branches	20,995,047	20,584,647
- fellow companies	30,872,320	30,580,620

18 Related parties (continued)

	2025	2024
	\$	\$
Trademark licence fee paid to ultimate holding corporation	(4,191)	(86,826)
Other direct expenses paid to related parties, net	<u>1,164,459</u>	<u>(14,034)</u>

Outstanding balances at the reporting date are current and unsecured and are disclosed in Notes 8 and 9.

Key management personnel compensation

Key management personnel of the Branch are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors, the chief executive and certain executive officers are considered as key management personnel of the Branch.

The key management personnel compensation incurred by the Branch during the financial year is as follows:

	2025	2024
	\$	\$
Wages and salaries (including bonuses and allowances)	1,959,645	2,525,306
Defined contribution plan (including pension contributed outside Singapore)	46,015	49,030
Other benefits	<u>246,097</u>	<u>419,547</u>
	<u><u>2,251,757</u></u>	<u><u>2,993,883</u></u>