

Disclosure Form (Attached to the OIC Commissioner Order No.47/2561)

Information Disclosure of Life Insurance Companies B.E. 2561

Part 1: To certify correctness of disclosure

The Company has reviewed the information disclosure with caution and certifies that it is complete, true and not misleading or lack of significant information. The Company certifies the correctness of all information disclosure.



Signature.....

Name..... Tan Hak Leh

Position..... Chief Executive Officer

Date.....26.....Month.....April.....Year....2019.....

Information for the Year.....2018.....

1.1 COMPANY PROFILE

1.2 COMPANY POLICIES, OBJECTIVES AND STRATEGIES

1.3 THE NATURE OF BUSINESS

AIA was established in Thailand since 1938. Throughout 8 decades of our business operation, we have helped millions of Thai people to build a financial plan and provided a full range of protection products to meet the needs of customers at every stage of life. We have operated the business under the customer-centric strategy and we are committed to continuously develop the innovative products and service in order to meet the changing needs of our customers, as well as to help Thai people live healthier, longer, better lives.

AIA has provided protection coverage and long-term savings to both individuals and businesses through a wide variety of products and services, including life insurance, personal accident, health insurance, group insurance and long-term savings as well as credit life insurance and provident fund management services. Currently, approximately 1 out every 3 life insurance policies in Thailand is written by AIA¹. With more than 55,000 agents nationwide, we service over 5.3 million customers with over 8.2 million in-force policies. Leading the life insurance industry, AIA pioneers iPOS+ and AIA iService applications for sales and customer support to ensure prompt and first-rate service standards. Besides, AIA achieves the highest number of unit linked sales¹ and IC-licensed agents².

Apart from the business, giving back to society is also our focus. We aim to make a real difference to our community as well as improve their quality of life through a number of corporate social responsibility initiatives, for instance AIA Sharing A Life Day, AIA School Building, AIA School Library, AIA Operation Smile, AIA New Legs New Life, and so on. These CSR initiatives are a reflection of AIA's long-standing commitment, which places its focus to help Thai people live healthier, longer and better lives.

1. Data from TLAA Annual Report 2017

2. Statistics of active investment analysts, from website of The Securities and Exchange Commission, last updated 17 January 2019

Trust in AIA

Vision

To be the pre-eminent life insurance provider in Asia Pacific

Purpose

To play a leadership role in driving economic and social development across the region

Operating's Philosophy

Doing the **right thing**




In the **right way**

With the **right people**

And the **results** will come

1.4 OUR PRODUCTS

For Individuals

 Protection	<ul style="list-style-type: none">• AIA 20PayLife (Par)• AIA 20PayLife (Par)• AIA 20PayLife (Non Par)• Term 5 / 10 / 15 / 20• AIA Life Protector 70 (Non Par)• AIA CI SuperCare 10/99 (Non Par)• AIA Life Protector 80 (Non Par)• AIA CI SuperCare 20/99 (Non Par)• AIA 5/10/15 PayLife (Non Par)• Guarantee Issue Whole Life
 Unit Linked	<ul style="list-style-type: none">• AIA Issara Plus (Unit Linked)• AIA Smart Wealth (Unit Linked)
 High Net Worth	<ul style="list-style-type: none">• AIA Legacy Prestige (Unit Linked)• AIA CI SuperCare Prestige• AIA Life Issara Prestige (Unit Linked)• AIA Smart Wealth Prestige (Unit Linked)



Savings

- AIA 15Pay30 (Par)
- AIA 15Pay25 Special (Par)
- 8Pay20 Special (Par)
- 7Pay15 Fit (Par)



Critical Illnesses

- ECIR
- AIA Health Cancer
- AIA Health Cancer UDR
- Lady Care
- Lady Care Plus
- AIA CI UDR
- AIA PBCI
- AIA CI Plus Gold
- AIA CI Plus
- AIA CI Plus UDR



Medical

- AIA H&S Plus Gold
- HB
- H&S
- H&S UDR
- AIA H&S Extra
- AIA HB Extra UDR
- AIA HB Extra
- AIA H&S Extra UDR



Accident

- AI/RCC
- ADB/RCC
- ADD/RCC



Annuity

- AIA Annuity Smart @60
- AIA Annuity 60/85
- AIA Annuity FIX



[Personal Accident](#)

- AIPA4900
- AIPA4000
- AIPA2500
- MICRO1000
- MICRO500
- MICRO300
- MICRO200
- MICRO100
- MICRO222



[AIA Vitality Protection](#)

- AIA Vitality Protection



[Bank Assurance](#)

BBL

- Be Together Lagacy
- Be Together Beloved
- Be Together Care
- Be Together Health & Save
- Be Together Health

BAY

- Krungsri Unit Linked

TISCO

- TISCO Health Insurance Plan (HIP)
- TISCO Auto Loan Protection (ALP)

LH Bank

- LH Bank CI Super Care
- LH Bank Life Extra 820
- LH Bank Life Extra 25/15

For Business



 Provident Fund	<ul style="list-style-type: none">• Provident Fund Management Services
 Group Insurance	<ul style="list-style-type: none">• 20UP+• 5UP+
 Credit Life	<ul style="list-style-type: none">• Auto Insurance Plan• Mortgage Reducing Term Assurance (MRTA)
 ประกันสำหรับพนักงาน/ข้าราชการ	<p>For SMEs</p> <ul style="list-style-type: none">• AIA 20PayLife (Par)• AIA 10For80 (Par)• AIA 15Pay30 (Par)• AIA Annuity FIX• AIA Annuity 60/85• AIA Annuity Smart @60 <p>For Government Pension Fund (GPF)</p> <ul style="list-style-type: none">• AIA 20PayLife (Par)

Table: Proportion of premium written from each insurance category for 2018

Unit: Million Baht

Description	Ordinary					Industrial	Personal Accident	Group	Total
	Whole Life	Endowment	Term	Others	Total				
Direct premium written	21,992	47,263	154	41,673	111,082	-	3,633	10,417	125,132
Proportion of premium written	17.58	37.77	0.12	33.30	88.77	-	2.90	8.33	100.00

1.5.1 HEALTH CLAIM MAKING

HOW TO MAKE HEALTH CLAIM

Health claim can be made through two channels as follows: -

- Cashless Claim at any of AIA Health Care or AIA Care Card network hospitals
- Self-submission of claim forms and related documents for the reimbursement at

AIA CUSTOMER SERVICE CENTER

2/F, AIA Tower, 181 Surawongse Road, Bangrak, Bangkok 10500

During Monday to Friday, from 8.00 to 17.00 hrs

Please check the accuracy and completeness of information and documents to ensure the timely claim settlement.

Please see details of health claim submission in 'Claim forms' submenu under 'Download forms' menu, or contact AIA Call Center 1581 (24 hours service) for more information.

LIST OF FCS & OPD CREDIT'S NETWORK HOSPITALS AND CLINICS FOR CORPORATE SOLUTIONS POLICIES

[Download File \(EN\)](#)

CASHLESS CLAIM THROUGH AIA CARE CARD

Special cashless claim service at any AIA Care Card network hospitals for Personal Accident plan customers' treatments due to accident.

CASHLESS CLAIM THROUGH AIA HEALTH CARE

Special cashless claim service at any AIA Health Care network hospitals for Health plan customers' hospitalization treatments, per policy's coverage.

CASHLESS CLAIM THROUGH AIA CARE CARD

AIA Care Card is the privilege card to access to special cashless claim service, for the treatments due to accident, per policy's coverage.

HOW TO MAKE CASHLESS CLAIM THROUGH AIA CARE CARD

- Ensure that hospital or clinic is in AIA Care Card network
- Present AIA Card Card with National ID card (or other ID card with photo issued by the government), to hospital's staff
- Hospital will check eligibility with AIA
- Hospital will submit medical record and cost to AIA during the discharge process
- AIA will review the claim request, and inform claim result back to hospital.

LIST OF HOSPITALS AND CLINICS IN AIA CARE CARD NETWORK

[Download File \(EN\)](#)

NOTE:

1. This privilege is eligible only for customers who hold AIA Care Card issued by AIA, not for all Personal Accident plan customers.
2. The treatment must be due to accidents, per the condition and exclusion in Personal Accident's policy.
3. Available only at hospitals and clinics in AIA Care Card network, effective on the admission for treatment date.

CASHLESS CLAIM THROUGH AIA HEALTH CARE

AIA Health Care is a special cashless claim service at any AIA Health Care network hospitals for Health plan customers' hospitalization treatments, per policy's coverage.

AIA Health Care offers the cashless claim service for the policy starting with "T" or "U" with the coverage per the attached H&S (Hospital & Surgical) rider. Hospital will submit claim request to AIA. This service is available 8.00 – 20.00 hrs on the operating day, and 8.30 – 20.00 hrs on the weekend and holidays.

HOW TO MAKE CASHLESS CLAIM THROUGH AIA HEALTH CARE

Please inform the intention to use AIA Health Care service to the hospital in AIA Health Care network

1. Present National ID card (or other ID card with photo issued by the government), to hospital's staff
2. Medical diagnosis deemed medically necessary for IPD admission
3. Hospital will check eligibility with AIA
4. Hospital will submit medical record and cost to AIA during the discharge process
5. AIA will review the claim request, and inform claim result back to hospital
 - In case AIA allows to use AIA Health Care service, customer will be responsible for the expense exceeding policy's coverage.
 - The coverage from other benefits (e.g., Hospital Benefits (HB), Daily compensation from cancer (CR), Compensation from accident (AI, HU, HI, WI, WC)) will be processed at AIA. The compensation will be sent directly to the insured at the address provided to AIA. However, customer can submit claim request of other benefits requiring additional documents for claim process, for example, the Critical Illness benefit or the disability benefit to AIA directly or through agents.
 - In case AIA do not allow to use AIA Health Care service, customer can submit claim request with the claim form and original receipt to AIA as per normal process.

LIST OF HOSPITALS AND CLINICS IN AIA HEALTH CARE NETWORK

[Download File \(EN\)](#)

CONDITIONS OF AIA HEALTH CARE SERVICE

1. The policy with H&S (Hospital & Surgical) rider must be effective at least 3 months from the rider initial date or reinstatement date
2. AIA will assess claim, upon the request and documents received from hospital, according to the policy's terms and conditions
3. AIA Health Care service will be effective only for the sickness or injured that medical diagnosis deemed medically necessary for IPD admission
4. Available only at hospitals and clinics in AIA Health Care network
5. AIA Health Care service will not be admitted the following cases (customer please submit claim request with the claim form and original receipt to AIA as per normal process).
 - The sickness of critical illness or chronic while the rider has been effective less than 2 years
 - The sickness of pre-existing condition or of the exception in the H&S (Hospital & Surgical) rider
 - The hospitalization during the waiver period and the Automatic Premium Loan not allowed
 - The hospitalization for medical check-up, rehabilitation or physical therapy
 - Unclear medical record and uncontactable to receive further medical record history from hospitals
 - In case AIA needs to collect further information or consult with the specialist to provide accurate and fair claim assessment.

NOTE: Terms and conditions of coverage will be specified in the policy issued to the policyholder, and conditions as determined by AIA.

LIFE CLAIMS

How to claim benefits for death or disability?

- In the case of permanent disability, a claim can be submitted after having obtained medical opinions for no less than 180 days. The claim form must be accompanied by all relevant medical records and x-ray films (if applicable). Once all documents have been received, the decision will be made within 2 weeks. The form can be downloaded [HERE](#).
- In the case of death, the form can be downloaded [HERE](#). Choose claim benefit form → No. 2 Claim form for death benefits (all the necessary forms can be found therein).

When must a claim be filed after hospitalization, involving in an accident, or death?

- The claim must be filed within 14 days after death, sickness or accident. However, if an entitled family member is not aware that the deceased has insurance benefits, the claim can be made within 7 days after he or she becomes aware of the death benefit.

In the event of sickness during the waiting period, can a claim be made?

- A claim for benefits cannot be made during the waiting period.
- The waiting period differs depending on the details stated in each individual policy.
- In the case of accident and loss of life, the waiting period does not apply.

What is the time line for decision making once the insured, the beneficiary or entitled person submits a claim for benefits together with all relevant documents?

- The company will make a decision within 15 days after the claim has been filed together with all the necessary documents.
- However, the company reserves the rights to extend the period, depending on each specific circumstance. The insured or beneficiary will be informed of this extension, and is asked to cooperate with the company in case of further investigation.
- The company will pay the interest of 15 per cent per annum, if the claims payment is made later than the specified time period or the extended period.

Document for Living Claims

Document or evidence	Hospital expense and Surgical Benefit	Hospitalization Benefit	Accidental Indemnity Benefit (1)	Broken Bone from accident Benefit	Dismemberment Benefit (2)	Cancer or Critical Illness Benefit (3)	Total Disability Benefit
1.Claim form - For insured - For Doctor	✓	✓	✓	✓	✓	✓	✓
2.Original receipt and medical expense statement	✓	-	-	-	-	-	-
3.Copy of receipt and/or medical expense statement	-	✓	✓	-	-	-	-
4.Medical Record	★	★	★	★	★	★	★
5.Result of cell, Blood or bone marrow examination by medical pathophysiology or hematologic physician	-	-	-	-	-	✓	-
6.Surgical report	-	-	★	-	-	★	-
7.Film X-rays, CT and MRI with result	-	-	★	★	★	★	★
8.Vaccination /Serum record	-	-	★	-	-	-	-
9.Eye examination and physical examination by Doctor	-	-	★	★	★	★	★
10.Current photo	-	-	★	★	★	-	★
11.Copy of daily police report	-	-	★	-	★	-	-
12.Result of blood test and other special examination	-	-	-	-	-	★	-

- Note:**
- ✓ Required for consideration
 - ★ To be used in some cases
 - Not necessary

Example Additional document for claims consideration, may be case by case

(1) Accidental Indemnity Benefit

In case of	Submit with
An inpatient	Copy of receipt
Surgery	Surgical report
Fracture, broken bone or dislocate	Film X-rays, CT, MRI with result
Injury from assault	Copy of daily police report

(2) Dismemberment Benefit

In case of	Submit with
The lost organ is the eye	Eye examination Report with current photo
The lost organs are the hands, feet, arms or legs	Film X-rays with current photo

(3) Cancer or Critical Illness Benefit

In case of	Submit with
Cancer	Result of cell, Blood or bone marrow examination by medical pathology or hematologic physician If there is no checking while living please submit autopsy report with Death Claims
Cirrhosis	Medical record and the pathological report by medical pathophysiology.
Stroke	Medical record and the result of brain CT, MRI
Coronary artery disease	Medical record and the result of Coronary Angiogram
Coronary Artery By-Pass Surgery	Medical record and the surgical report
First Heart attack	Medical record, the result of Cardiac Enzyme and ECG
Fulminant Viral Hepatitis	Medical record, the result of Liver function test and Ultrasound - abdomen
End staged kidney Failure	Medical record, the result of Renal function test and Ultrasound - abdomen
Major Organ Transplant	Medical record and the surgical report
Emphysema	Medical record and the result of Lung function test
Muscular Dystrophy	Medical record and the result of EMG
Multiple Sclerosis	Medical record and the result of Cerebrospinal fluid
Poliomyelitis	Medical record and the result of Cerebrospinal fluid

Document Required for All type of Death Claims of the Insured / Payor

Document / Evidence		Natural Death	Unnatural Death	Remark
1.	Copy of death certificate of the deceased	✓	✓	
2.	Copy of house registration of the deceased with stamp "DEATH"	✓	✓	
3.	Copy of Identity card of the deceased	✓	✓	
4.	Copy of house registration and Identity card of all beneficiary	✓	✓	In case that the beneficiary is Estate, do submit all document related to Administrator
5.	Policy or Certificate of Insurance	✓	✓	In case of lost, do submit police report
6.	Claim form (pink form) signed by all beneficiary	✓	✓	- In case the beneficiary is juvenile, parent or guardian is required to co-sign as well. - In case the beneficiary is Corporate or Employer, authorized person with corporate stamp and Certificate of the Ministry of Commerce are required.
7.	Agent's report	✓	✓	
8.	Employee's Certificate with date of commence, position, current salary from HR, signed and stamped by authorized person (WAIVED in case of Government sector)	✓	✓	For Corporate Solution Group
9.	Proof of work: last month of time stamp card, last month of pay slip certified true copy by Human Resource	✓	✓	For Corporate Solution Group
10.	Copy of police report certified true copy by commissioned officer	-	✓	For unnatural death
11.	Copy of autopsy report or post mortem certified true copy by commissioned officer or doctor	-	✓	For unnatural death
12.	Student's certificate with institute's stamp	-	✓	For Group accident claim
13.	Physician's statement (blue form)	✓	*	Dead from illness or dead at home, death notice is acceptable
14.	Copy of Proof of name change of the Insured /Payor or beneficiary	*	*	In case name is different as indicated in the policy.
15.	Copy of Marriage certificate of the Insured / Payor or beneficiary	*	*	
16.	News or photo of the accident (if any)	*	*	
17.	Copy of court order for juvenile's guardian appointment certified true copy by court officer	*	*	
18.	Copy of court order for insured's administrator appointment certified true copy by court officer	*	*	- In case of ONE or more than one beneficiary is dead before or in the same time of the insured, and the change of the beneficiary hasn't been done yet, <u>EXCEPT</u> the policy issued before September 1, 2000, death benefit shall be paid to the still living beneficiary (PA excluded). - In case the insured is murdered by ONE or ALL beneficiary - In case there is living benefit approved after death and the amount exceeds 200,000 THB.
19.	Copy of court order of the beneficiary's administrator certified true copy by court officer.	*	*	In case the beneficiary died after the insured.
20.	Copy of court order to be missing person certified true copy by court officer.	*	*	In case the insured or the beneficiary is missing without knowing that if he/she is still alive.
21.	Form of change of beneficiary	*	*	In case the payor is dead.

- หมายเหตุ:**
- ✓ Required for assessment
 - * To be used in some cases
 - Not necessary

For the document of 1-4, 14-15

- In case of juvenile insured or beneficiary, birth certificate can be used as identity card.
- All document of the insured must be certified true copy by ONE of the beneficiaries.
- All document of the payor must be certified true copy by the insured.
- All document of the beneficiary must be certified true copy by each respective beneficiary. In case of juvenile beneficiary, document must be certified true copy by parent or guardian or closed relative of such junior attached with the copy of house registration and identity card of the above co-signed individual.

Notes

- Natural Death means death from illness.
- Unnatural Death means commit suicide, assault by human or animal, accidental death or death from unknown cause.
- Death benefit shall be sent through writing agent. If the agent wishes to receive death benefit through servicing agent, consent from writing agent is required.
- If the beneficiary (indicated in the life or accident policy) is dead or bankrupted before the insured. Change of the beneficiary is preferably recommended.

1.5.2 COMPLAINT PROCESS AND CHANNEL

Help & Support



TALK TO US NOW



AIA Company

AIA Tower, Surawong Road., Suriyawong, Bang Rak, Bangkok 10500

Hotline : +662 634 8888

Fax. : +662 783 4818

Service Hours : Mon - Fri (8:00 am – 5.00 pm)



AIA Call Center 1581

24-hour Call Center Service



Customer Service Centre

2/F, AIA Tower, Surawong Road., Suriyawong, Bang Rak, Bangkok 10500

Service Hours : Mon - Fri (8:00 am – 5.00 pm)



Inquire information for AIA Link

AIA Call Center : 1581

E-mail : th.investmentlink@aia.com



Inquire Information or Give Suggestion

[Please Link](#)

Complaint resolution process

“Customer service issues and complaints have always been a matter of great interest for AIA Thailand and AIA Group. To enhance the effectiveness of the complaint resolution process, the Company has invested in developing our People, Process and Tools to ensure that complaints will be resolved uniformly, transparently, and equitably under strict adherence to OIC regulations.

To further cater to the convenience of our customers, AIA has established multiple contact points to service the increasingly diverse sources of complaints such as complaints by walk-ins, through the regulators, in writing or online correspondence, by phone and through social media. Each contact point is staffed by designated complaint resolution personnel, and if the complaint is complex, then it will be specifically managed and resolved by specialized unit, the Customer Care Center.”

2.1 CORPORATE GOVERNANCE

2.4 SUB-COMMITTEE MEMBERS

Introduction

AIA Company Limited Thailand Branch (“AIA Thailand”) is a branch office of AIA Company Limited (“AIA”), which is incorporated in Hong Kong. AIA’s ultimate holding company is AIA Group Limited (“AIA Group”), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited. The Board of Directors of AIA (“the Board”), has delegated the general operations of AIA Thailand to the AIA Thailand CEO (“CEO”).

AIA Thailand Executive Committee

The AIA Thailand Executive Committee (the “EXCO”) is established and authorized by the CEO. The EXCO provides direction and oversight on the governance and management of several aspects of AIA Thailand. This includes operations, performance management, developing business plans and strategies, ensuring the achievement of said business plans and compliance with applicable legislations, regulations and statutory standards. In addition, the EXCO reviews overall business planning and performance as well as the delivery of each of the departmental objectives and targets. The EXCO also supervises the execution of AIA Thailand’s strategies and ensures appropriate business continuity preparation with policies and strategies in place so that critical business functions can continue to operate as usual in the event of any incident. Furthermore, the EXCO oversees internal controls and accountability arrangements, financial integrity, the adequacy and effectiveness of risk management, compliance, and internal control policies and procedures.

The EXCO has set up the following Management Committees to efficiently carry out its responsibilities.

a) Investment Committee (“IC”)

The IC provides oversight on the management, performance and governance of AIA Thailand’s investment portfolios.

The members of IC are:

1. Tan Hak Leh (Chief Executive Officer)
2. Sukkawat Prasurtying (Chief Investment Officer)
3. Hiew Tet Chian (Chief Financial Officer)
4. Loo Boon Teik (Chief Risk Officer)
5. Johann Dutoit (Chief Actuary)

b) Pension Investment Committee (“Pension IC”)

The Pension IC reviews the investment policies of the pension business and monitors the allocation and performance of funds.

The members of Pension IC are:

1. Sukkawat Prasurtying (Chief Investment Officer)
2. Pardung Songatigamas (Fund Manager from Life Fund)
3. Chalit Masoodi (Fund Manager from Life Fund)
4. Wipada Jirapanich (Fund Manager from Life Fund)
5. Thanyavit Uyangkul (Credit Manager from Life Fund)
6. Vilasinee Limprana (Head of Pension Business)
7. Aunhong Lim (Fund Manager from Pension Business)
8. Dudpong Wongsasitorn (Fund Manager from Pension Business)
9. Titti Tungpanitansook (Head of Enterprise Risk Management)

c) Operational Risk Committee (“ORC”)

The ORC provides oversight on non-financial risk management activities within AIA Thailand in order to ensure operational risk management policies and programmes are in place and are appropriately and consistently followed.

The members of ORC are:

1. Hiew Tet Chian (Chief Financial Officer)
2. Loo Boon Teik (Chief Risk Officer)
3. Kris Chantanotoke (Chief Agency Officer)
4. Aekkarat Thitimon (Chief Marketing Officer)

5. Alisa Srimaroj (Chief Life Officer)
6. Kittit Manakongtreecheep (Chief Technology Officer)
7. Julie Van Nuffel (General Counsel & Business Development)

d) Financial Risk Committee (“FRC”)

The FRC provides oversight and reviews financial and insurance risks for AIA Thailand. These include assessing market and insurance risks, AIA Thailand balance sheets, liquidity and capital position. The FRC also ensures that appropriate financial risk policies are in place.

The members of FRC are:

1. Tan Hak Leh (Chief Executive Officer)
2. Hiew Tet Chian (Chief Financial Officer)
3. Loo Boon Teik (Chief Risk Officer)
4. Sukkawat Prasurtying (Chief Investment Officer)
5. Johann Dutoit (Chief Actuary)

The Audit Committee

The Board has established the AIA Company Audit Committee (“Audit Committee”) to review and monitor the Audited Financial Statements, reports from Group Internal Audit, report on litigation updates and other matters escalated to the chairman of AIA Group Audit Committee.

Within the context of AIA Group’s control framework, the Internal Audit function is an independent risk assessment function and responsible for providing assurance on risk management, governance and internal control systems to the Board. The Audit Committee ensures that the Internal Audit function has adequate follow-up processes in place to make sure that recommendations raised in internal audit reports are dealt with in a timely manner.

The Audit Committee normally meets privately with the external auditor and AIA Group Internal Audit without management being present at least twice a year.

The members of Audit Committee are:

1. Ricky Fung (Independent Non-Executive Director)
2. Dominic Leung (Independent Non-Executive Director)
3. Garth Jones (Executive Director and Group Chief Financial Officer)

Financial Oversight Committee

The Financial Oversight Committee (“FOC”) is established by the Board and authorized by the Audit Committee to provide an independent review of the effectiveness of the financial reporting process and the internal control system. The duties of the FOC include review of financial information, oversight of company financial reporting system and internal control procedures, and management of external auditor relationship.

The members of FOC are:

1. Garth Jones (Group Chief Financial Officer)
2. Richard Sumner (Head of Group Tax)
3. Manoj Ramachandra (Group Senior Regional Counsel)

Risk & Compliance and Internal Audit

AIA Thailand maintains a robust risk management and compliance framework which includes an independent system of checks and balances to provide assurance that risks are identified, assessed, analyzed, prioritized, managed and governed properly. The framework clearly defines the respective roles and responsibilities of the EXCO, the Risk & Compliance functions and the Internal Audit function. Risk & Compliance and Internal Audit functionally report to AIA Group Risk & Compliance and AIA Group Internal Audit respectively. Both functions administratively report to CEO.

Whistle Blower Protection Policy

AIA Thailand maintains a comprehensive Whistleblower Program, which is designed to handle reports of misconduct and inappropriate behavior. Employees who are aware of possible wrongdoing within AIA have a responsibility to disclose that information to management. Reports are taken seriously and investigated confidentially. Employees or other individuals will not suffer retaliation for reporting any suspected wrongdoing in good faith.

Anti-Corruption Policy

During the course of business, employees and other persons representing AIA Thailand are prohibited from offering, paying, promising or authorizing (directly or indirectly) any bribe, kickback or other payment or benefit with corrupt intent or in violation of relevant anti-corruption laws.

Anti-Fraud Policy

AIA Thailand adopts a zero-tolerance approach towards fraud and expects all employees, insurance intermediaries, business partners and vendors to act with honesty and integrity. All suspected cases of fraud will be investigated and disciplinary procedures enforced, including prosecution and termination.

2.2 THE COMPANY STRUCTURE



2.3 BOARD AND MANAGEMENT STRUCTURE

Board and Management



Tan Hak Leh
Chief Executive Officer

Responsible for the successful leadership and management of the AIA Thailand to fulfil AIA Group's vision of being a pre-eminent life insurance provider in Asia Pacific and its purpose of driving social and economic development across the region.



Hiew Tet Chian
Chief Financial Officer

Responsible for overseeing financial strategies as well as strategic business plans and projects of the company for future business growth. This includes financial reporting, business analysis, and budgeting. Providing consultative support to planning initiatives through financial and management information analyses and recommendation. In addition, managing Actuarial, Real Estate, Distribution Administration & Management Information, and Project Management Office to support the business.



Sukkawat Prasurtying
Chief Investment Officer

Responsible for formulating and recommending the overall investment plan and asset allocation strategy and implementation of the asset allocation and yield enhancement strategies to maximize investment portfolio with proper risk management to support insurance products & asset liability management.



Loo Boon Teik
Chief Risk Officer

Responsible for the development of relevant risk and compliance framework, policies and procedures and overseeing the implementation of an effective risk assessment and compliance program. Engaging with key business stakeholders to ensure key regulatory, ethical, financial and operation risks (including emerging risks) are identified and properly managed, and ensure compliance with all regulatory requirements.



Julie Van Nuffel
Business Development and
General Counsel

Responsible for providing advice to the legal team to ensure its performances meet the budget and expectation of the management (but excluding providing any legal advice, legal services or litigation work with respect to Thai law) to support the business, including products, case management and all other matters which has a company- wide impact including the formulation of corporate strategic plan and evaluation of new ventures, acquisitions, mergers, divestments and major investment proposals.



Kris Chantanotoke
Chief Agency Officer

Responsible for driving the sustainable growth of the agency business and developing short- term and long- term business objectives and targets. Driving agency transformation and enhancing agency force's engagement through enhanced service levels and ongoing sales initiatives. Managing, Coaching, and supporting Agency Distribution Management on production management and another field management.



Aekkarat Thitimon
Chief Marketing Officer

Responsible for overseeing the planning, development and execution of an organization's product strategy, marketing, branding and advertising initiatives. The primary responsibility is to generate revenue by increasing sales through successful marketing for the entire organization, using market research, pricing, product marketing, marketing communications, advertising and public relations.



Sarunya Tienthavorn
Chief Human Resources Officer

Responsible for driving the development and execution of AIA Thailand's People Strategy to support the company's business growth, focusing on talent and leadership development, succession planning, as well as organizational and performance management. Managing overall HR activities to ensure that all AIA policies / procedures properly adopted and executed efficiently and effectively.



Alisa Srimaroj
Chief Life Officer

Responsible for managing and leading the implementation of appropriate processes and initiatives in the areas of Frontend Operations, Technical Operations, Operations Strategies & Support, Operations System, Life Claims, and Medical to achieve the company's objectives and business growth targets.



Kitti Manakongtreecheep
Chief Technology Officer

Responsible for driving and developing digital initiatives to increase overall efficiencies and productivity of the company to meet the evolving needs of the customers. Planning and supporting business and managing data center in optimizing the usage of resources (staff, computer, office automation equipment) to improve business operations and to control operation expenses.



Darren Thomson
Chief Strategic Business
Development Officer

Responsible for supporting our strategic partnership with BBL, particularly in maintaining key relationships, building on strategic initiatives and the adoption of best practices to ensure the continued long-term success of this partnership.



Chantcharas Boonkhun
Chief Strategic
Bancassurance Alliance
Officer

Responsible for managing the relationship with an exclusive bank partner (BBL) including formulating and executing the short to long term strategic plans to support the growth, profitability and operational objectives within the regulatory framework. Providing leadership, directions to the team to meet short, medium and long term financial goals and ambitions.

2.5 APPOINTMENT OF MANAGEMENT

The appointment process Managements generally covers:

- Candidates' CV screening should cover personal information, education background and work experience.
- Interviews must be conducted by at least the Chief Executive Officer and Chief Human Resource Officer. Specific feedback and comments on candidates must be systematically captured in all interviews for future reference
- Management appointment must undergo employment screening per the Company employment screening procedures.
- The employment screening must be complied with the background check policy which should be covered Professional Qualification/ Membership Check, Civil Litigation Check, Credit Check, Financial Regulator Check and Conflict of Interest/ Company Directorship Check

2.6 REMUNERATION POLICY FOR MANAGEMENT

AIA Guidelines:

A Compensation proposal should take into consideration of external competitiveness and internal equity.

A compensation proposal should be prepared and approved, following the approval governance, for all compensation and benefits items. The following information is required in preparing the proposed package a) Candidates' current package, b) Package of peers within AIA, and c) Market reference data.

The compensation proposal should be approved per the Company procedures before any verbal or written offer can be made.

3.1 ENTERPRISE RISK MANAGEMENT (ERM)

Risk Management Overview

The core of the Company's business is accepting, pooling and managing risk for the benefit of policyholders and shareholders. Effective risk management is vital in any organisation but especially in a life insurance business where it is a key driver of value. Accordingly, the Company does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits in order to create long-term value.

The Company manages risk by adopting a "three lines of defence" governance model. The objective is to ensure that an independent system of checks and balances is in place to provide assurance that risks are governed properly. The Executive Committee (EXCO) retains overall responsibility for oversight of the Company's risk management activities. All business unit managers and executives are accountable for ensuring their business functions operate at all times within the Risk Appetite set by the EXCO. This is done by identifying the risks associated with their activities, understanding and seeking to manage and mitigate them effectively and achieving appropriate returns for the risks taken.

The Company's Risk Management Framework provides the structure for identifying, quantifying and mitigating risk across the Company. Enterprise Risk Management and Compliance provides assurance to the EXCO that this framework is appropriate and effective.

All risks that are undertaken by the Company are backed by appropriate levels of capital to support the ongoing business and to protect policyholders. While the Company seeks capital efficiency, we do so within acceptable levels of risk without compromising either financial strength or the requirement for appropriate returns.

3.2 ASSET-LIABILITY MANAGEMENT

Asset-Liability Management (ALM) is a vital component of the Company's Enterprise Risk Management (ERM) framework that focuses on risks arising from interdependencies between the Company's assets and liabilities. The ALM framework aims to achieve the Company's financial goals through the management of investment strategies, product design, pricing and product development, whilst operating under appropriate investment constraints and within an acceptable risk threshold. The Asset-Liability Management Committee (ALCO) is a management committee to whom the local Executive Committee (EXCO) has delegated the authority to provide oversight and governance of the Company's ALM policies. This includes the adoption and the implementation of the Strategic Asset Allocation that the Company has selected. The management of assets and liabilities are in compliance with the established guidelines and policies from AIA Group and AIA Thailand.

The risk arising from interest rate sensitivity between asset and liabilities is held as an Interest Rate Risk Charge in the regulatory reporting, according to the rules as prescribed in the Risk-Based Capital Framework and the Regulations as prescribed by the OIC. Interest rate risk is mainly managed through duration and cashflow management. The duration gap between assets and liabilities is taken into consideration and regularly monitored and discussed at ALCO and the Financial Risk Committee (FRC).

The "Invested Assets to Policy Reserve" ratio is regularly monitored in accordance with the OIC's Early Warning System indicators (EWS) framework. The ratio must always be well above 100% to ensure that assets are enough to cover policy liabilities.

4. INSURANCE RISK

Known insurance risks which may have significant impact on the Company's financial position, the management of reinsurance and the adequacy of the capital position in relation to the level of risk concentration.

As an insurer, the Company is exposed to a range of financial risks. The following section summarizes the Company's financial risk management.

Insurance Risk

Insurance risk is the potential losses resulting from mortality, morbidity, persistency, longevity, and adverse expense experiences. These include the potential impacts from catastrophic events such as pandemics and natural disasters.

Management of insurance risk starts with the management of product design. Ensuring that products meet customer needs, are fairly priced and are clearly understood by customers, are the best way to ensure good persistency and customer satisfaction.

The Company manages product design risk through its Product Approval Process, where products are reviewed against pricing, design and operational risk benchmarks agreed by the Financial Risk Committee (FRC). The Company works closely with a number of Company functions including product management, actuarial, legal, risk & compliance and underwriting. The Company monitors the performance of new products and focuses on actively managing each part of the actuarial control cycle to minimize the risk of the in-force book as well as for new products.

Concentration Risk

Concentration of risk may arise when there are specific related events that may significantly impact the Company's liabilities. The Company is exposed to a geographical concentration of risk, as most of the business is in Thailand. The Company manages its economic sectoral concentration by diversifying its insurance portfolio across the Thai population, covering different working classes and different levels of society.

Reinsurance helps to reduce concentration and volatility risk, especially on policies with large sums assured or lines of business with new risks. It also serves to protect against catastrophic events such as pandemics or natural disasters.

5. VALUE, PROCEDURES AND ASSUMPTIONS FOR INSURANCE RESERVES

Long term insurance contracts have a coverage term that is longer than 1 year, or the contract automatically renews with a guarantee that it cannot terminate, and that the premiums and benefit cannot change throughout the contract term.

Short term insurance contracts do not have the same guarantees in the terms and conditions as long term insurance contracts.

The classifications of long term and short-term insurance contracts are in accordance with approach followed for the Risk-Based Capital report.

Long-term technical reserves

The insurance contract liabilities for traditional life insurance are calculated using a net premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses assumptions prescribed by the OIC without a provision for adverse deviation. Assumptions are set at the policy inception date and remain locked in thereafter, unless a deficiency arises in the Liability Adequacy Testing (LAT). If the LAT shows that the liability is inadequate, then the entire deficiency will be recognised in the profit and loss account.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, the insurance contract liabilities represent the accumulated fund value. This is comprised of the premiums received and investment returns credited to the policy, less deductions for mortality and morbidity costs and expense charges. Included in the amount “Due to insured” is the investment element of the universal life policies and investment linked products which represents 100% of the account value. The non-investment elements are reserved using an unearned cost of insurance basis.

Short-term technical reserve

The Unearned Premium Reserves for group life insurance and short-term insurance contracts are calculated on a pro-rata basis.

Insurance liabilities

Unit: THB Million Baht

Item	As of December 31,			
	2018		2017	
	Book value	Appraisal value	Book value (Restated)	Appraisal value
Long-term technical reserves	572,250	598,901	545,373	592,292
Short-term technical reserves	17,899	15,841	17,029	13,607
Unpaid policy benefits	333	333	412	508
Due to insured	91,558	60,029	81,836	56,013

- Remarks:**
- Book Value refers to Insurance liabilities valued according to the Thai Generally Accepted Accounting Principles (THGAAP). The main objective is to support the investor's understanding of the economic value of policy liabilities according to THGAAP. The Policy liabilities are audited and certified by an auditor.
 - Fair Value refers to Insurance liabilities valued according to the OIC's Notification on the Valuation of Assets and Liabilities of Life Insurance Companies to ensure that the Company has the ability to pay the policy benefit to policyholders. The fair value of insurance liabilities must be calculated by a certified actuary. The assumptions used in the fair value must be consistent with the actual experience, or, in the event of insufficient data, may be based on industry experience and tailored to the specific nature of the insurer's portfolio. In addition, the insurance contract liabilities must include a Provision for Adverse Deviation (PAD) as prescribed by OIC.

Notes: In some reporting periods, there could be a material difference between insurance liabilities valued under a book value approach and a fair value approach due to the different methodology used for each valuation basis. Investors are advised to gain an understanding of insurance liabilities across both valuation bases before making investment decisions.

6. INVESTMENT

Investment Objective

To prudently manage Company's investment assets to preserve capital and to generate optimal return to policyholders and shareholders over the long-term, and be consistent with the asset-liability management objectives of the company as well as in full compliance with both applicable regulations and internal policies. The investments are categorized under 3 asset classes i.e. Fixed Income, Equity and Real Estate details as following:

Fixed Income

The fixed income is managed principally in a "Buy and Maintain" style. The investment objective is to optimize returns with capital preservation. However, the Company may have discretion to sell the assets according to the views of market, credit trends, credit risk management and Asset Liabilities Management.

Equity

The objective of equity investment is to optimize investment return and generate excess return over respective benchmarks by investing in stocks which have good fundamental and consistent growth with reasonable price. Investment is based on fundamental instead of technical for both entry and exit strategies.

Stocks are evaluated not only on their growth potential but also on their growth profiles or characteristics. The growth characteristics of a company is typified by the growth cycle characterized by different growth/risk parameters.

The investment process is driven by fundamental research by in-house analyst, combining top-down macroeconomic and market analysis with comprehensive bottom-up fundamental analysis for individual stocks. Use of external investment research is augmented by internal research effort that includes field visits. A global or regional overlay is achieved by interaction with AIA's Group investment team, especially in sectors that are particularly global in nature, e.g. technology and commodities.

Real Estate

The investment process is driven by due diligence. The objective of due diligence is to prevent material impact the Company's financial status. Real estate investment must be in line with strategic asset allocation and should not have adversely affect to the Company's obligations and dividend payment to the policy holders and risk-based capital adequacy.

The appraisal value of the Company's investment assets will be determined by referring to the Notification of the Office of Insurance Company Re: The appraisal value of Assets and Liabilities of Life Insurance Company B.E.2554

Investment assets Table

Unit: THB Million Baht

Investment assets	As of December 31,			
	2018		2017	
	Book value	Appraisal value	Book value (Restated)	Appraisal value
Deposits with financial institutions and Certificate of Deposit	7,270	7,270	6,715	6,715
Bonds, debentures, promissory notes bill of exchange	665,358	665,433	659,303	659,506
Equity securities excepted investments in subsidiaries and associates	98,762	101,834	116,905	119,605
Mutual fund	5,451	5,451	5,311	5,356
Policy Loans	29,670	29,670	28,194	28,194
Loans	1,488	1,464	1,531	1,507
Warrants	18	18	23	23
Investment property	16,410	16,410	15,000	14,987
Derivative assets	2,896	6,732	2,765	5,590
Others	-	-	-	-
Total Investment Assets	827,323	834,282	835,757	841,483

7. FINANCIAL RESULTS ANALYSIS AND RATIOS

Performance

Unit: THB Million Baht

Items	As of December 31,	
	2018	(Restated) 2017
Gross written premiums	125,132	121,337
Net earned premiums	120,803	118,689
Net investment income	32,904	32,339
Change in long-term technical reserve	26,877	27,817
Net benefits and claim paid	73,232	70,380
Net Profit	22,182	21,102

Gross written premiums in 2018 grew up by Baht 3,795 million or 3.1% from 2017, mainly from Ordinary Life and Unit-link products generating from Agency channel. Net profit increased by Baht 1,080 million or 5.1% from last year, caused by increase in Gains on investment and Net investment income from invested assets. While Change in long-term technical reserve and Net benefits and claims paid went up totally by Baht 1,912 million or 1.9%.

Financial Ratio

Ratios	2018	2017
First year underwriting expense per net premium	81%	87%
Renewal underwriting expense per net premium	14%	13%
Return on equity	15%	15%
Return on asset		
Return on asset	3%	3%
Return on asset excluded Unit linked and Universal life	3%	3%
Return on investment ratio		
Return on investment ratio	4%	4%
Return on investment ratio excluded Unit linked and Universal life	4%	4%
Investment asset per liability reserve	139%	141%

8. CAPITAL ADEQUACY

The Company monitors the solvency capital in compliance with the requirements of the OIC.

The current and projected regulatory capital requirements are calculated based on Thailand's RBC regulations, which was implemented in Thailand in September 2011. The key metric used by the regulator is the Capital Adequacy Ratio (CAR), defined as Total Capital Available (TCA) divided by Total Capital Required (TCR), which needs to remain above 140% to maintain financial strength and avoid potential regulatory intervention.

The Company also holds additional required capital in excess of the TCR to comply with its internal requirements. This serves to ensure the Company's financial standing is solvent under a 1-in-10 year event.

The table below illustrates that throughout the year, the Company has had a strong capital position, that is significantly above the prescribed target of 140%.

Unit: THB million baht

Items	As of December 31,	
	2018	2017
Total Asset	874,914	875,246
Total Liabilities	708,271	706,877
- Insurance Liabilities	675,104	662,420
- Other Liabilities	33,167	44,457
Total Head Office's Equity	166,643	168,370
Capital Adequacy Ratio (%)	406	420
Total Capital Available	165,836	167,625
Total Capital Required	40,885	39,939

- Remarks:**
- According to the OIC's RBC capital valuation notification for Life Insurance Companies, the Registrar may determine the necessary procedures to manage companies with a CAR below 140%
 - Capital refers to the RBC capital required to be held according to the OIC's RBC capital notification for the Valuation of Assets and Liabilities of Life Insurance Companies
 - The above items are valued at Fair Value according to the OIC's notification for the valuation of assets and liabilities of Life Insurance Companies

9. FINANCIAL STATEMENTS



AIA COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2018



Independent Auditor's Report

To the Board of Directors of AIA Company Limited

My opinion

In my opinion, the financial statements of AIA Company Limited (the Branch) present fairly, in all material respects, the financial position of the Branch as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRSs).

What I have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in Head Office's equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

I conducted my audit in accordance with Thai Standards on Auditing (TSAs). My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the Branch in accordance with the Federation of Accounting Professions under the Royal Patronage of his Majesty the King's Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to my audit of the financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the management for the financial statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee assists the management in discharging their responsibilities for overseeing the Branch's financial reporting process.



Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with TSAs 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 TSAs, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the audit committee with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

PricewaterhouseCoopers ABAS Ltd.

A handwritten signature in black ink, appearing to read 'Paiboon Tunkoon', written over a horizontal line.

Paiboon Tunkoon

Certified Public Accountant (Thailand) No. 4298

Bangkok

13 March 2019

AIA Company Limited
Statement of Financial Position
As at 31 December 2018

		31 December	(Restated) 31 December	(Restated) 1 January
		2018	2017	2017
Notes	Baht	Baht	Baht	Baht
Assets				
Cash and cash equivalents	9	7,769,489,147	2,766,275,305	2,888,842,686
Premium receivable	10	6,596,744,106	6,710,037,470	6,659,902,211
Accrued income on investments		5,684,482,811	5,639,984,254	6,117,813,103
Reinsurance assets	8, 11, 23, 35	299,424,481	281,633,837	312,203,663
Amount due from reinsurance	12, 35	1,905,664	11,455,664	84,915,517
Derivative assets	13	2,896,344,761	2,764,835,566	253,339,467
Invested assets				
Investment in securities, net	14	769,096,590,258	785,491,621,107	702,797,890,775
Investment in associates	15, 35	171,500,000	171,500,000	171,500,000
Loans, net	16	31,157,710,208	29,725,720,896	27,573,819,509
Investment property	8, 17	16,410,000,000	15,000,000,000	14,200,000,000
Assets held to cover linked liabilities	18	20,646,422,436	15,112,004,256	10,230,697,721
Property, plant and equipment	8, 19	2,071,691,883	674,418,808	539,516,234
Intangible assets	20	698,275,585	631,233,915	527,985,062
Other assets	21, 35	2,305,222,224	2,082,005,367	9,537,986,849
Total assets		865,805,803,564	867,062,726,445	781,896,412,797

Authorised signature _____

Date _____

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

AIA Company Limited
Statement of Financial Position (Cont'd)
As at 31 December 2018

		31 December 2018 Baht	(Restated) 31 December 2017 Baht	(Restated) 1 January 2017 Baht
Notes				
Liabilities and Head Office's Equity				
Liabilities				
Borrowings	22	-	15,400,000,000	23,900,000,000
Insurance liabilities	8, 23	680,244,719,106	642,721,869,873	603,723,294,785
Investment liabilities	24	1,619,936,357	2,996,649,906	3,068,251,149
Amount due to reinsurance	25, 35	359,319,757	207,183,555	114,563,492
Derivative liabilities	13	659,236,610	1,282,922,010	7,627,657,536
Income tax payable		2,689,801,011	2,490,111,030	758,145,515
Employee benefit liabilities	26	3,062,818,646	3,366,751,015	3,200,781,044
Deferred tax liabilities	8, 27	9,623,601,126	18,207,663,685	8,247,116,821
Other liabilities	28, 35	25,782,724,966	20,669,351,318	15,002,451,409
Total liabilities		724,042,157,579	707,342,502,392	665,642,261,751
Head Office's Equity				
Unrealised gains on changes in fair value of investments, net of tax		52,998,840,193	89,210,030,072	51,369,851,013
Remeasurements of post-employment benefit obligations, net of tax		(1,100,415,482)	(1,181,596,528)	(1,200,100,041)
Gain on land and building revaluation, net of tax	8	819,701,391	-	-
Other reserve		82,648,649	91,151,725	75,298,475
Branch's retained earnings Unappropriated	8	88,962,871,234	71,600,638,784	66,009,101,599
Total Head Office's Equity		141,763,645,985	159,720,224,053	116,254,151,046
Total liabilities and Head Office's Equity		865,805,803,564	867,062,726,445	781,896,412,797

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

AIA Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2018

			(Restated)
		2018	2017
	Notes	Baht	Baht
Revenues			
Gross written premiums		125,131,659,281	121,336,567,572
<u>Less</u> premiums ceded to insurers	35	<u>(3,437,407,126)</u>	<u>(2,180,800,451)</u>
Net written premiums		121,694,252,155	119,155,767,121
<u>Less</u> net change in unearned premium reserve	8	<u>(891,002,350)</u>	<u>(466,287,659)</u>
Net earned premiums		120,803,249,805	118,689,479,462
Fee and commission income	35	494,611,400	437,993,444
Net investment income	35	32,903,554,364	32,338,504,775
Gains on investment		10,767,069,065	8,337,478,016
Fair value losses on investment		(9,508,527)	(466,685,345)
Fair value gains on investment property	8	390,139,827	729,732,781
Other income	35	<u>120,228,214</u>	<u>111,637,843</u>
Total revenues		<u>165,469,344,148</u>	<u>160,178,140,976</u>
Expenses			
Change in long-term technical reserve	8	26,876,503,549	27,817,086,732
Gross benefits and claim paid	8, 29	75,364,566,511	71,387,843,783
<u>Less</u> benefits and claim paid recovered from reinsurers	8, 35	<u>(2,132,512,021)</u>	<u>(1,007,461,113)</u>
Net benefits and claim paid		73,232,054,490	70,380,382,670
Commissions and brokerages		14,081,820,801	13,447,323,149
Other underwriting expenses	35	16,257,975,302	15,075,341,197
Operating expenses	31, 35	7,245,771,189	6,988,861,254
Finance cost		<u>86,539,553</u>	<u>277,916,431</u>
Total expenses		<u>137,780,664,884</u>	<u>133,986,911,433</u>
Profit before income tax		27,688,679,264	26,191,229,543
Income tax expenses	8, 33	<u>5,506,446,814</u>	<u>5,089,692,358</u>
Net profit		<u>22,182,232,450</u>	<u>21,101,537,185</u>

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

AIA Company Limited
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2018

			(Restated)
	Notes	2018 Baht	2017 Baht
Other comprehensive income (loss)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations	26.1	101,476,307	23,129,391
Gains on land and building revaluation	8	1,024,626,739	-
Income tax on items that will not be reclassified subsequently to profit or loss		<u>(225,220,609)</u>	<u>(4,625,878)</u>
Total items that will not be reclassified subsequently to profit or loss		<u>900,882,437</u>	<u>18,503,513</u>
<u>Items that will be reclassified subsequently to profit or loss</u>			
Change in value of available-for-sale investments		(34,704,222,177)	55,634,212,840
Realised gain from sale of available-for-sale investment and impairment loss transferred to profit or loss		(10,559,765,171)	(8,333,989,016)
Income tax relating to items that will be reclassified subsequently to profit or loss		<u>9,052,797,470</u>	<u>(9,460,044,765)</u>
Total items that will be reclassified subsequently to profit or loss		<u>(36,211,189,878)</u>	<u>37,840,179,059</u>
Other comprehensive income (loss) for the year, net of tax		<u>(35,310,307,441)</u>	<u>37,858,682,572</u>
Total comprehensive income (loss) for the year		<u><u>(13,128,074,991)</u></u>	<u><u>58,960,219,757</u></u>

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

AIA Company Limited
Statement of Changes in Head Office's Equity
For the year ended 31 December 2018

	Funds from Head Office	Unrealised gains on changes in fair value of investments, net of tax	Remeasurements of post-employment benefit obligations, net of tax	Gain on land and building revaluation net of tax	Other reserve	Branch's retained earnings	Total Head Office's Equity
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2018	-	89,210,030,072	(1,181,596,528)	-	91,151,725	66,945,653,044	155,065,238,313
Retrospective adjustments from change in accounting policy (Note 8)	-	-	-	-	-	4,654,985,740	4,654,985,740
Beginning balance after adjustment	-	89,210,030,072	(1,181,596,528)	-	91,151,725	71,600,638,784	159,720,224,053
Profit remittances to Head Office	-	-	-	-	-	(4,820,000,000)	(4,820,000,000)
Employee benefits on share-based payment	-	-	-	-	(8,503,076)	-	(8,503,076)
Net profit	-	-	-	-	-	22,182,232,450	22,182,232,450
Unrealised losses on changes in fair value of investments	-	(27,763,377,742)	-	-	-	-	(27,763,377,742)
Remeasurement of post-employment benefits	-	-	81,181,046	-	-	-	81,181,046
Gains on land and building revaluation	-	-	-	819,701,391	-	-	819,701,391
Realised gain from sale of available-for-sale investment and impairment loss transferred to profit or loss	-	(8,447,812,137)	-	-	-	-	(8,447,812,137)
Ending balance as at 31 December 2018	-	52,998,840,193	(1,100,415,482)	819,701,391	82,648,649	88,962,871,234	141,763,645,985
Beginning balance as at 1 January 2017	-	51,369,851,013	(1,200,100,041)	-	75,298,475	61,834,094,197	112,079,143,644
Retrospective adjustments from change in accounting policy (Note 8)	-	-	-	-	-	4,175,007,402	4,175,007,402
Beginning balance after adjustment	-	51,369,851,013	(1,200,100,041)	-	75,298,475	66,009,101,599	116,254,151,046
Profit remittances to Head Office	-	-	-	-	-	(15,510,000,000)	(15,510,000,000)
Employee benefits on share-based payment	-	-	-	-	15,853,250	-	15,853,250
Net profit (Note 8)	-	-	-	-	-	21,101,537,185	21,101,537,185
Unrealised gains on changes in fair value of investments	-	44,507,370,272	-	-	-	-	44,507,370,272
Remeasurement of post-employment benefits	-	-	18,503,513	-	-	-	18,503,513
Realised gain from sale of available-for-sale investment and impairment loss transferred to profit or loss	-	(6,667,191,213)	-	-	-	-	(6,667,191,213)
Ending balance as at 31 December 2017	-	89,210,030,072	(1,181,596,528)	-	91,151,725	71,600,638,784	159,720,224,053

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

AIA Company Limited
Statement of Cash Flows
For the year ended 31 December 2018

		(Reclassified)
	2018	2017
	Baht	Baht
Notes		
Cash flows provided by (used in) operating activities		
Written premium received from direct insurance	128,069,433,507	119,193,163,608
Fee income	178,972,632	242,307,718
Cash paid for reinsurance	(997,504,195)	(781,003,870)
Interest income	29,769,539,493	29,997,290,955
Dividend income	3,491,591,889	3,382,008,336
Investment expenses	(1,036,098,768)	(1,187,233,831)
Cash paid for settlement of derivatives	(89,741,445)	(700,194,300)
Rental income	954,632,536	858,139,544
Other income	97,265,082	159,640,775
Gross benefits and claim paid from direct insurance	(68,288,325,160)	(60,803,317,629)
Commissions and brokerages	(14,177,549,892)	(13,467,323,652)
Other underwriting expenses	(11,741,481,109)	(14,610,493,392)
Operating expenses	(6,311,921,663)	(6,053,705,060)
Income tax expense	(5,063,242,532)	(2,861,850,622)
Cash received from investment in securities	100,941,680,065	106,063,258,334
Cash paid for investment in securities	(119,934,807,451)	(129,097,425,366)
Cash paid for investments property	17 (1,058,573,652)	(70,267,219)
Cash received from loan repayment	5,523,365,022	5,541,324,631
Cash paid for loan drawdown	(7,333,371,305)	(7,210,548,144)
Cash received from assets held to cover linked liabilities	5,292,001,965	3,498,315,539
Cash paid for assets held to cover linked liabilities	(12,215,804,587)	(7,421,086,086)
Net cash provided by operating activities	26,070,060,432	24,671,000,269
Cash flows provided by (used in) investing activities		
<u>Cash inflows provided by:</u>		
Properties and equipment	385,000	955,349
Net cash provided by investing activities	385,000	955,349
<u>Cash outflows used in:</u>		
Properties and equipment	19 (547,321,354)	(282,064,539)
Intangible assets	20 (192,754,354)	(218,227,478)
Net cash used in investing activities	(740,075,708)	(500,292,017)
Net cash used in investing activities	(739,690,708)	(499,336,668)

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

AIA Company Limited
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2018

	2018	(Reclassified) 2017
	Baht	Baht
Cash flows provided by (used in) financing activities		
<u>Cash outflows used in:</u>		
Remittances to Head Office	(4,820,000,000)	(15,510,000,000)
Principal repayment of borrowing	(15,400,000,000)	(8,500,000,000)
Finance cost	(107,155,882)	(284,230,982)
	<u>(20,327,155,882)</u>	<u>(24,294,230,982)</u>
Net cash used in financing activities	(20,327,155,882)	(24,294,230,982)
Net cash used in financing activities	<u>(20,327,155,882)</u>	<u>(24,294,230,982)</u>
Net increase (decrease) in cash and cash equivalents	5,003,213,842	(122,567,381)
Cash and cash equivalents at beginning of year	<u>2,766,275,305</u>	<u>2,888,842,686</u>
Cash and cash equivalents at end of year	<u><u>7,769,489,147</u></u>	<u><u>2,766,275,305</u></u>

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

1. General information

AIA Company Limited ("the Branch") is a branch in Thailand of AIA Company Limited ("AIA") whose ultimate holding company is AIA Group Limited, ("AIA Group"), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited.

The Branch received its life insurance license under the laws of Thailand on 1 October 1938. The address of the Branch's registered office is as follows:

181 Surawongse Road, Bangrak, Bangkok 10500.

The principal business operations of the Branch is to provide life insurance, personal accident and health insurance.

These financial statements were approved by the Branch's management on 13 March 2019.

2. Basis of preparation

These financial statements are prepared in accordance with Thai Generally Accepted Accounting Principles under the Accounting Act B.E. 2543, being those Thai Financial Reporting Standards (TFRSs) issued under the Accounting Profession Act B.E. 2547. In addition, the financial statements presentation are based on the formats of life insurance financial statements attached in an Office of Insurance Commission's notification "Principle, methodology, condition and timing for preparation, submission and reporting of financial statements and operation performance for life insurance company B.E. 2559" dated on 4 March 2016 ('OIC Notification').

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with Thai Generally Accepted Accounting Principles requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 6.

An English version of the financial statement has been prepared from the statutory financial statements that are in the Thai language. In the event of a conflict or a difference in interpretation between the two languages, the Thai language statutory financial statements shall prevail.

3. Accounting policies

3.1 Revised accounting standards, revised financial reporting standards, and related interpretations

3.1.1 Revised financial reporting standards are effective for annual periods beginning on or after 1 January 2018 which have significant change and are relevant to the Branch:

TAS 7 (revised 2017)	Statement of cash flows
TAS 12 (revised 2017)	Income taxes
TFRS 12 (revised 2017)	Disclosure of interests in other entities

TAS 7 (revised 2017), the amendments require additional disclosure of changes in liabilities arising from financing activities. This includes changes arising from cash and non-cash.

TAS 12 (revised 2017), the amendments clarify the accounting for deferred tax where an asset measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:

- A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
- An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
- Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
- Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profits.

TFRS 12 (revised 2017), the amendments clarify that the disclosure requirements of TFRS 12 apply to interests in entities that are classified as held for sale in the scope of TFRS 5 (revised 2017), except for the summarised financial information.

The Branch has adopted these standards for the current annual period. The management assessed that these standards do not have a significant impact on the Branch.

3.1.2 New and revised financial reporting standards which have been announced but not yet effective.

3.1.2.1 TFRS 15 Revenue from contracts with customers is effective for annual periods beginning on or after 1 January 2019 which is relevant to the Branch. The Branch has not yet adopted this standard.

TFRS 15 provide the requirements for the recognition of revenue. This standard will supersede the following standards:

TAS 11 (revised 2017)	Construction contracts
TAS 18 (revised 2017)	Revenue
TSIC 31 (revised 2017)	Revenue - barter transactions involving advertising services
TFRIC 13 (revised 2017)	Customer loyalty programmes
TFRIC 15 (revised 2017)	Agreements for the construction of real estate
TFRIC 18 (revised 2017)	Transfers of assets from customers

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

3. Accounting policies (Cont'd)

3.1 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

3.1.2 New and revised financial reporting standards which have been announced but not yet effective. (Cont'd)

3.1.2.1 TFRS 15 Revenue from contracts with customers is effective for annual periods beginning on or after 1 January 2019 which is relevant to the Branch. The Branch has not yet adopted this standard. (Cont'd)

The Branch recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Key changes to current practice are

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements
- Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) - minimum amounts must be recognised if they are not at significant risk of reversal
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa
- There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements
- As with any new standard, there are also increased disclosures.

The Branch will have a choice to apply this standard retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, subject to the expedients or retrospectively with the cumulative effect recognised as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application with additional disclosures.

The Branch's management is currently assessing the impact of initial adoption of this standard.

3. Accounting policies (Cont'd)

3.1 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

3.1.2 New and revised financial reporting standards which have been announced but not yet effective. (Cont'd)

3.1.2.2 Revised financial reporting standards will become effect for annual periods beginning on or after 1 January 2019 and are relevant to the Branch. The Branch has not yet adopt these standards.

TFRS 2 (revised 2018)	Share-based Payment
TFRS 4 (revised 2018)	Insurance Contracts
TAS 28 (revised 2018)	Investments in associates and joint ventures
TAS 40 (revised 2018)	Investment Property
TFRIC 22	Foreign Currency Transactions and Advance Consideration

TFRS 2, the amendments clarify;

- The measurement basis for cash-settled share-based payments, vesting conditions, other than market conditions, shall not be taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, vesting conditions, other than market conditions, shall be taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.
- Where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority, the whole award will be treated as if it was equity-settled provided it would have been equity-settled without the net settlement feature, and
- The accounting for modifications that change an award from cash-settled to equity-settled.

TFRS 4 has been amended to provide insurance companies an optional exemption from compliance with TFRS 9 and TFRS 7. The exemption is temporarily effective and not mandatory. Entities who choose to use the exemption must follow the 'financial instruments and disclosure for insurance companies' accounting guidelines to be issued by the Federation of Accounting Professions (upon announcement) until TFRS 17 becomes effective.

TAS 28, the amendment clarifies that the election by venture capital organisations, mutual funds, unit trusts and similar entities to measure investments in associates or joint ventures at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition.

TAS 40, the amendments clarify that transfers to, or from, investment property can only be made if there has been a change in use that is supported by evidence. A change in use occurs when the property meets, or ceases to meet, the definition of investment property. A change in intention alone is not sufficient to support a transfer.

3. Accounting policies (Cont'd)

3.1 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

3.1.2 New and revised financial reporting standards which have been announced but not yet effective. (Cont'd)

3.1.2.2 Revised financial reporting standards will become effect for annual periods beginning on or after 1 January 2019 and are relevant to the Branch. The Branch has not yet adopt these standards. (Cont'd)

The TFRIC 22 interpretation provides guidance for determining the exchange rate to be used on the initial recognition of a related asset, expense or income where an entity pays or receives an advance consideration in a foreign currency. The interpretation requires an entity to use the exchange rate at the date on which an entity recognises the non-monetary assets, such as prepayments and advances, or non-monetary liability, such as deferred income arising from the advance consideration. If there are multiple advance payments or receipts of payments, the exchange rate is to be used on the date when each non-monetary asset or liability is recognised

3.1.2.3 The group of financial reporting standards relating to financial instruments is effective for annual periods beginning on or after 1 January 2020. They comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019. The Branch has not yet adopted those standards.

TAS 32	Financial instruments: Presentation
TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments
TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The above new standards will supersede the following standards:

TAS 101	Bad and Doubtful Debts
TAS 103	Disclosures in the Financial Statements of Bank and Similar Financial Institutions
TAS 104	Accounting for Troubled Debt Restructuring
TAS 105	Accounting for Investment in Debts and Equity securities
TAS 106	Accounting for Investment Companies
TAS 107	Financial Instruments: Disclosure and Presentation

3. Accounting policies (Cont'd)

3.1 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

3.1.2 New and revised financial reporting standards which have been announced but not yet effective. (Cont'd)

3.1.2.3 The group of financial reporting standards relating to financial instruments is effective for annual periods beginning on or after 1 January 2020. They comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019. The Branch has not yet adopted those standards. (Cont'd)

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or Head Office's equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset.

TFRS 7 Financial Instruments: Disclosures, provides the requirements for the disclosure that are intended to enable users to evaluate the significance of financial instruments for the Branch's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the Branch is exposed during the period and at the end of the reporting period, and how the Branch manages those risks.

TFRS 9 Financial Instruments, establishes principles for the classification, measurement and derecognition of financial assets and financial liabilities, impairment requirement and hedge accounting as follow:

- Classification and measurement:
 - The classification and measurement of debt instrument financial assets has three classification categories, which are amortised cost, fair value through profit or loss and fair value through other comprehensive income. Classification of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flows characteristics of the financial assets.
 - Equity instrument financial assets shall be measured at fair value through profit or loss. An entity can make an irrevocable election to recognise the fair value change in other comprehensive income without subsequent recycling to profit or loss.
 - Financial liabilities are classified and measured at amortised cost. An entity can choose to measure a liability at fair value through profit or loss when the conditions are met.
 - Derivatives are classified and measured at fair value through profit or loss.

3. Accounting policies (Cont'd)

3.1 Revised accounting standards, revised financial reporting standards, and related interpretations (Cont'd)

3.1.2 New and revised financial reporting standards which have been announced but not yet effective. (Cont'd)

3.1.2.3 The group of financial reporting standards relating to financial instruments is effective for annual periods beginning on or after 1 January 2020. They comprise accounting standards and financial reporting standards as shown below. The early application is permitted only for the period beginning on or after 1 January 2019. The Branch has not yet adopted those standards. (Cont'd)

- The impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets measured at amortised cost, investments in debt instruments measured at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts. It is no longer necessary for a credit event to have occurred before credit losses are recognised. The Branch always accounts for expected credit losses, which involves a three stage approach. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. Except for trade receivables and contractual assets which apply in TFRS 15 and are no significant financial components and lease receivables, they are permitted to measure by simplified approach for credit impaired consideration.
- The objective of hedge accounting is to represent, in the financial statements, the effect of the Branch's risk management activities that use financial instruments to manage exposures arising from particular risks that could affect profit or loss (or other comprehensive income, in the case of investments in equity instruments for which an entity has elected to present changes in fair value in other comprehensive income). This approach aims to convey the context of hedging instruments for which hedge accounting is applied in order to allow insight into their purpose and effect.

TFRIC 16 Hedges of a Net Investment in a Foreign Operation, clarifies the accounting treatment in respect of net investment hedging, provides guidance on identifying the foreign currency risks that qualify as a hedged risk. Clarifying that hedging instruments that are hedges of a net investment in a foreign operation may be held anywhere in the group not only by the parent. This includes the guidance on how an entity should determine the amount to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

TFRIC 19 Extinguishing financial liabilities with equity instruments, provides the requirements for accounting treatment when the Branch issues equity instruments to a creditor to extinguish all or part of a financial liability. The Branch instruments issued shall be measured at fair value. The entity shall remove a financial liability (or part of a financial liability) from its statement of financial position when it is extinguished in accordance with TFRS 9. The difference between the carrying amount of the financial liability (or part of a financial liability) extinguished and the fair value of equity instruments issued shall be recognised in profit or loss.

The Branch's management is currently assessing the impact of initial adoption of these standards.

3. Accounting policies (Cont'd)

3.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Branch operates ('the functional currency'). The financial statements are presented in Baht, which is the Branch's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. Conversely, when a gain or loss on a non-monetary item is recognised in profit and loss, any exchange component of that gain or loss is recognised in profit or loss.

3.3 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturity at acquisition of three months or less.

3.4 Premium receivable

Premium receivable arising from insurance contracts are carried at carrying value less allowance for impairment which is established when there is objective evidence that the Branch will not be able to receive all amounts due according to term and condition specified in policy.

3.5 Reinsurance transactions

Reinsurance assets, amount due from reinsurance and amount due to reinsurance are stated at carrying value.

The Branch cedes reinsurance in the normal course of business, with retentions varying by line of business. Premiums ceded and claims reimbursed are presented on a gross basis in profit or loss and net basis by reinsurer in statement of financial position.

Reinsurance assets consist of amounts receivable in respect of recovered insurance liabilities.

If a reinsurance asset is impaired, the Branch reduces the carrying amount accordingly and recognises that impairment loss in the profit or loss. A reinsurance asset is impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the Branch may not receive all amounts due to it under the terms of the contract, and the impact on the amounts that the Branch will receive from the reinsurer can be reliably measured.

3. Accounting policies (Cont'd)

3.6 Investment in securities

Investments in debt and equity securities

Investments other than investments in associates are classified into the following four categories: 1. Trading investment; 2. Held-to-maturity investment; 3. Available-for-sale investment; and 4. General investment. The classification is dependent on the purpose for which the investments were acquired. Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

1. Trading is investments that are acquired principally for the purpose of generating a profit from short-term fluctuations in price. For the purpose of these financial statements short term is defined as three months from the invested date, including investments under investment linked products.
2. Held-to-maturity is investments with fixed maturity that the management has the intent and ability to hold to maturity.
3. Available-for-sale is investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates.
4. General investments are non-marketable equity securities.

All categories of investment are initially recognised at cost, which is equal to the fair value of consideration paid plus transaction cost.

Purchase and disposal of investments are recognised on the trade date, which is the date that the Branch commits to purchase or sell the investments.

Trading and available-for-sale investments are subsequently carried at fair value.

The fair value of investments are based on quoted last bid price at the close of business on the statement of financial position date by reference to the Stock Exchange of Thailand, Asset Management companies and the Thai Bond Market Association for Thai securities and Reuter for foreign securities. When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are recognised in profit or loss as gains or losses on investment.

Unrealised gains and losses arising from changes in the fair value of trading investments are recorded in profit or loss in the year in which they arise.

Unrealised gains and losses arising from changes in the fair value of investments classified as available-for-sale are recognised in other comprehensive income (loss).

Held-to-maturity investments are measured at amortised cost using the effective yield method less impairment loss.

General investments are carried at cost less impairment loss.

For disposal of an investment, the difference between the net disposal considerations and the carrying amount of that investments are recorded to profit or loss. When disposing of part of the Branch's holding of a particular investment in debt and equity securities, the carry amount of the disposed part is determined by the weighted average carrying amount of the total holding of the investment.

Realised and unrealised gains or losses from revaluation of foreign exchange rate in investments in debt securities are classified as fair value gains or losses on investment.

3. Accounting policies (Cont'd)

3.6 Investment in securities (Cont'd)

Investments in associates

Associates are entities over which the Branch has the significant influence to participate in the financial and operating policy decisions of the investee but does not control or joint control over those policies.

The Branch does not present financial statements under equity method apart from separated Branch's financial statement because the Branch met exemption criteria for such requirement (The details of investments in associates are disclosed in Note 15).

Investments in associates are accounted for using the cost method. Income from investments in associates will be recorded in profit or loss when dividends are declared.

Impairment of investment

A test for impairment is carried out quarterly or when there is a factor indicating that an investment might be impaired. If the carrying value of the investment is higher than its recoverable amount, impairment loss is charged to profit or loss.

3.7 Loans

Loans including policy loan is stated at principal amounts less allowance for doubtful accounts.

Allowance for doubtful accounts is assessed primarily on an analysis of payment histories, future expectations of borrowers repayments, the aging of accounts receivable and collaterals. Bad debts are written off when no recoveries are expected.

3.8 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Branch, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property.

There is no property held under operating leases which is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

Subsequent expenditure is capitalised to the asset's costs only when it is probable that future economic benefits associated with the expenditure will flow to the Branch and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property under construction is measured at fair value if the fair value is considered reliably determinable. Investment property under construction for which the fair value cannot be determined reliably but for which the Branch expects that the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

3. Accounting policies (Cont'd)

3.8 Investment property (Cont'd)

The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Change in fair value of investment property is recognised in profit or loss. Investment property is derecognised when it has been disposed or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Where the Branch disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss within net gain from fair value adjustment on investment property.

3.9 Assets held to cover linked liabilities

Assets held to cover linked liabilities are invested assets held for policies issued that policy holders take risks and rewards of changes in value of those assets such as unit-linked. They are initially recognised at cost which is equal to the fair value of consideration paid plus transaction costs and subsequently measured at fair value. Unrealised gain (loss) arising from changes in fair value are recorded in profit or loss in the year in which they arise.

3.10 Property, plant and equipment

Land and buildings comprise mainly offices and are shown at fair value, based on valuations by external independent valuers which will be revised every 12 months, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and accumulated impairment losses (if any), and the net amount is restated to the revalued amount of the asset.

Equipment is stated at cost less accumulated depreciation and allowance of impairment (if any). Cost is measured by purchase price with the cash or other consideration plus expenses obtaining the asset and bringing it to the location and condition necessary for its intended use.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as gain on land and building revaluation in Head Office's Equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against gain on land and building revaluation directly in Head Office's Equity; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from 'gain on asset revaluation' to retained earnings.

Depreciation is calculated on the straight-line basis to allocate the cost or the revalued amount of each asset, except for land which is considered to have an indefinite life, to its residual value over the estimated useful life as follows:

Buildings and improvements	20 years, 30 years and 60 years
Furniture, fixtures and equipment	5 years and 10 years
Computer hardware	3 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed and adjusted at the end of each year.

3. Accounting policies (Cont'd)

3.10 Property, plant and equipment (Cont'd)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. When land, property and equipment are disposed, the Branch will write off both their asset and related accumulated depreciation accounts, and recognise any gain or loss from disposal of the asset in profit or loss. Gains or losses on disposals land, properties and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset.

When revalued assets are sold, the amounts included in gain on asset revaluation are transferred to retained earnings.

Repairs and maintenance are charged to profit or loss during the financial year in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Branch. Major renovations are depreciated over the remaining useful life of the related asset.

3.11 Intangible assets

Computer software

Acquired specific computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives of 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Branch and will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant costs.

Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs are recognised as assets and amortised using the straight-line over their estimated useful lives, not exceeding a period of 15 years.

Other intangible assets are initially recognised at cost, and subsequently measured at costs less accumulated amortisation and impairment. The assets are amortised using the straight-line over their estimated useful lives of 3 to 5 years.

3.12 Impairment of non-financial assets

Property, plant and equipment and other non-financial assets, including intangible assets are reviewed for impairment loss annually or whenever changes in circumstances indicate that the carrying amount may not be recoverable significantly. An impairment loss is recognised for the amount by which the carrying amount of non-financial assets exceeds its recoverable amount which is the higher of an asset's fair value less cost to sale and value in use. For the purposes of assessing impairment as at statement of financial position date, non-financial assets are grouped at the lowest level which is separately identifiable cash flows.

3. Accounting policies (Cont'd)

3.13 Accounting for leases

3.13.1 Accounting for leases - where the Branch is the lessee

Lease contracts not transferring a significant portion of the risks and rewards of ownership to the lessee are classified as operating leases. Payments made under operating leases are charged to the profit or loss on a straight-line basis over the period of the lease.

Lease where the lessee has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

3.13.2 Accounting for leases - where the Branch is the lessor

Assets leased out under operating leases are included in investment property in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with other similar investment property owned by the Branch. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

3.14 Insurance and investment contract

3.14.1 Product classification

The Branch classified its contracts written as either insurance contracts or investment contracts, depending on the level of insurance risk.

Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. Some insurance and investment contracts, referred to as participating business, have discretionary participation features, "DPF", which may entitle the customer to receive, as a supplement to guaranteed benefits, additional non-guaranteed benefits, such as policyholder dividends or bonuses.

The Branch applies the same accounting policies for the recognition and measurement of obligations arising from investment contracts with DPF as it does for insurance contracts.

Also, the Branch measures certain insurance contract liabilities with reference to applicable statutory requirements in accordance with Office of Insurance Commission.

In the event that a scenario (other than those lacking commercial substance) exists in which an insured event would require the Branch to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract.

For investment contracts that do not contain DPF, accounting policies for measurement and recognition of financial liabilities, and, if the contract includes an investment management element, TAS 18 (revised 2017), Revenue Recognition, are applied.

TFRS 4 (revised 2017) permits the continued use of previously applied accounting policies for insurance contracts and investment contracts with DPF, and this basis has been adopted by the Branch in accounting for such contracts. Once a contract has been classified as an insurance or investment contract, no reclassification is subsequently performed unless the terms of the agreement are later amended.

3. Accounting policies (Cont'd)

3.14 Insurance and investment contract (Cont'd)

3.14.2 Insurance contracts and investment contracts with DPF

a) Unbundling

The Branch applies a policy of unbundling for insurance contract only in circumstances when both of the following conditions are met:

- The deposit component (including any embedded surrender option) can be measured separately (i.e. without taking into account the insurance component); and
- The Branch's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

b) Liability adequacy testing

The adequacy of insurance liabilities is assessed by portfolio of contracts, in accordance with the Branch's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The insurance liabilities are compared to the gross premium valuation calculated on a best estimate basis, as of the valuation date. If there is a deficiency, the liabilities are increased by the amount of the deficiency and recognised directly in profit or loss.

c) Long term and short term insurance contracts

Long term insurance contracts are insurance contracts which the term of contract is more than 1 year or the contract which have automatic approve of renewal which the Branch cannot terminate and cannot increase or decrease premium, including changes in other benefit throughout the contract term.

Short term insurance contracts are insurance contracts which do not have terms and conditions as long term insurance contracts.

The mentioned classification of long term and short term insurance contracts is in accordance with the approach for Risk-Based Capital report.

d) Policy reserves

The policy reserves consist of the following calculation methods:

Life policy reserves

Life policy reserves represent the accumulated total net premium valuation reserves under actuarial principle for future insurance claims and benefits paid for life policies in force as at the statement of financial position date. This method uses assumptions approved by OIC without a provision for adverse deviation. These assumptions are set at the policy inception date remained locked-in thereafter.

Unearned premium reserves

Unearned premium reserves for group life insurance and short-term insurance contracts are calculated on a pro-rata basis.

3. Accounting policies (Cont'd)

3.14 Insurance and investment contract (Cont'd)

3.14.2 Insurance contracts and investment contracts with DPF (Cont'd)

d) Policy reserves (Cont'd)

Universal life and unit linked product

Included in "Due to insured" is the investment element of the universal life policies and investment linked product which represents 100% of the account value.

Unexpired risk reserve

Unexpired risk reserve (URR) represents the future cost of insurance coverage from the statement of financial position date to the subsequent dates of expiry of the policies for all policies in force at the statement of financial position date. The Branch recognises the variance in profit or loss in case that the URR is higher than UPR.

e) Loss reserve and outstanding claims

Loss reserve and outstanding claims represent the estimated cost of all claims notified but not settled, including all claims incurred but not reported, based on data available as at statement of the financial position date. Differences between the balance of outstanding claims at the statement of financial position date and subsequent revisions and settlements are included in profit or loss in later periods.

3.14.3 Investment contracts

Investment contracts, which do not contain sufficient insurance risk to be considered insurance contracts, are accounted for as financial liabilities while investment contracts with DPF to be accounted for as if they were insurance contracts, even though they do not transfer significant insurance risk.

a) Investment contract fee revenue

Customers are charged fees for policy administration, investment management, surrenders or other contract services. The fees may be fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's account balance.

Origination and other "upfront" fees (fees that are assessed against the account balance as consideration for origination of the contract) are charged on some non-participating investment contracts. Where the investment contract is recorded at amortised cost, these fees are amortised and recognised over the expected term of the policy as an adjustment to the effective yield.

b) Investment contract liabilities

Deposits received in respect of investment contracts are not accounted for through the statements of comprehensive income, except for the investment income and fees attributable to those contracts, but are accounted for directly through the statement of financial position as an adjustment to the investment contract liability, which reflects the account balance.

The amortised cost of the financial liability is never recorded at less than the amount payable on surrender, discounted for the time value of money where applicable, if the investment contract is subject to a surrender option.

3. Accounting policies (Cont'd)

3.15 Provisions

Provisions, excluding provisions for employee benefits, are recognised when the Branch has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Branch expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

3.16 Employee benefits

Annual leave

A provision is made for the estimated liability for unused leave as a result of services rendered by employees up to the date in statement of financial position.

Post-retirement benefit obligations

The Branch has established a provident fund that is a defined contribution plan, which the assets are held in a separate trust fund. The provident fund is funded by payments from employees and the Branch. Contributions to the provident fund are charged to expenses in profit or loss.

The Branch provides for post-employment benefits under the Thai Labour Law and under an additional defined benefit plans. Such employee benefit provisions are calculated by an independent actuary on a regular basis.

Gains or losses on remeasurement of post-employment benefit obligations are recognised in other comprehensive income (loss).

Past-service costs from plan amendment are recognised immediately in statement of comprehensive income.

The management assesses the appropriate estimated of such provision on a regular basis.

Share-based compensation

The AIA Group, which is the ultimate holding company of the Branch, launched share-based compensation plans, under which the Branch receives services from the agents and employees, as consideration for the shares or share options of the AIA Group.

Under equity-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of shares or share options is recognised as an expense over the vesting period. The equity from share-based payment is presented under the Head Office's Equity.

The Branch utilises a binomial lattice model, Monte-Carlo or discount cash flow model to calculate the fair value of the share options grants. These models require inputs such as share price, implied volatility, risk free interest rate, expected dividend payment rate and the expected life of the option.

3. Accounting policies (Cont'd)

3.17 Borrowings

The Branch has borrowings under repurchase agreement (Repo) which have defined date and certain price in the future. Sold securities with repurchase agreement are recognised in the statement of financial position and valued following to the accounting policy of investment. The received money from the sold securities is presented as borrowings.

Assets sold under repurchase agreements continue to be recognised and a liability is established for the consideration received.

3.18 Current and deferred income taxes

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in Head Office's equity.

The current income tax charge is calculated on the basis of the tax laws enacted.

Deferred income tax is recognised, using the liability method, on temporary differences arising from differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been substantially enacted and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.19 Revenues and expenses recognition

a) Premiums

Premiums are from life insurance contracts, including participating policies and annuity policies with life contingencies. For first year policies, life premium income is recognised as revenue when the first premium installment is fully received and the policy is effective. Renewal premium is recognised as revenue when premium is due. Personal accident premium is recognised as revenue on the effective date of the insurance policy. The movement in unearned premium reserve is presented under net change in unearned premium reserve.

Ceded premium is recognised when the insurance risk is transferred to another reinsurer.

Amounts collected as premiums from insurance contracts with investment features but with sufficient insurance risk to be considered as insurance contracts, such as universal life, and unit-linked contracts, are accumulated as deposits. Revenue from these contracts consists of policy fees for the cost of insurance and administration during the year.

3. Accounting policies (Cont'd)

3.19 Revenues and expenses recognition (Cont'd)

b) Benefits and claims

Insurance contract benefits reflect the cost of all maturities, surrenders, withdrawals and claims arising during the year, policyholder dividends accrued in anticipation of dividend declarations, as well as claims handling costs including internal and external costs incurred in connection with the negotiation and settlement of claims.

Accident and health claims incurred include all losses occurring during the year, related handling costs, a reduction for recoveries, and any adjustments to claims outstanding from previous years.

Benefit payments to policyholders are recorded when the notice of a claim has received or the policyholder requests to surrender the policy. Other benefits are recognised when due or on maturity.

c) Policy acquisition cost

Policy acquisition cost i.e. commissions and brokerages are recognised when incurred.

d) Universal life products

The change in account value of universal life products are presented in "Other underwriting expenses".

e) Investment income

Interest income is recognised on a time proportion basis, taking account of the principal outstanding and the effective yield rate over the period to maturity. No accrual is made for loans with interest default over three consecutive months.

Dividends on securities are recognised on the dividend declaration date.

f) Other income and expenses

Other income and expenses are recognised on an accrual basis.

3.20 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents, accrued income on investments, premium receivable, reinsurance assets, amount due from reinsurance, derivative assets, investments in securities, loans net, assets held to cover linked liabilities, and certain balances included in other assets. Financial liabilities carried on the statement of financial position include amount due to reinsurance, claim liability, policyholder deposits and due to insured, borrowing and certain balances included in other liabilities. The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

3. Accounting policies (Cont'd)

3.21 Accounting for derivative financial instruments

The Branch entered into derivative financial instruments, which mainly comprise cross currency swap contracts, forward contracts and interest rate swap contracts to protect the Branch against foreign currency and interest rate risks.

Cross currency swap contracts and forward contracts protect the Branch from movements in exchange rates by establishing the rate at which a foreign currency asset will be realised or a foreign currency liability settled.

Receivables under cross currency swap contracts or forward contracts are recorded in Thai Baht at swap rates or forward rates specified in the contracts. Payables under cross currency swap contracts or forward contracts denominated in foreign currency are recorded in Thai Baht at the exchange rate at the statement of financial position date. The difference between receivables and payables under cross currency swap contracts or forward contracts is recorded as part of "Other assets" or "Other liabilities" in the statement of financial positions.

Realised and unrealised gains or losses from revaluation of foreign exchange rate are classified as fair value gains and losses.

Interest rate swap contracts protect the Branch from movements in interest rates. The differences between the payment and receipt from these contracts are presented in net investment income. As at the statement of financial position date the accrued interest receivable or payable is recorded on specific interest rate on these contracts.

3.22 Collateral

Cash received and pledged as a collateral to a counter party occur in respect to derivative transaction and repurchase agreement in order to reduce the credit risk of these transactions. The cash pledged is recognised as other assets. The cash received is recognised as other liabilities.

3.23 Securities lending

Loaned securities under a securities-lending agreement which securities are loaned to third parties on a short-term basis are not derecognised and so they continue to be recognised within investments in available-for-sale securities and valued at fair value as of the reporting date.

4. Risk management

The Branch financial risk management framework is consistent with the Head Office that to effectively manage, rather than to eliminate, the risks the Branch faces.

As an insurer, the Branch is exposed to a range of insurance and financial risks. The Branch applies a consistent risk management policy that is embedded in management processes and controls such that both existing and emerging risks are considered and addressed. In addition, the Branch has established the enterprise risk management function for managing and monitoring the enterprise wide risks and also has established sub-committee among the Branch to manage specific risks which are Financial Risk Committee (FRC) and Operational Risk Committee (ORC) which directly report to the Branch's key management.

4. Risk management (Cont'd)

The following section summarises the Branch's insurance and financial risk management.

4.1 Insurance risk

Insurance risk is the potential loss resulting from mortality, morbidity, persistency, longevity, and adverse expense experience. This includes the potential impact from catastrophic events such as pandemics and natural disasters.

Management of insurance risk starts with management of product design. Ensuring product meets customer needs, are fairly priced, and are clearly understood are best guarantee of persistency and customer satisfaction.

The Branch manages product design risk through the New Product Approval Process where products are reviewed against pricing, design and operational risk benchmarks agreed by Financial Risk Committee (FRC). Management works closely with the number of the Branch's functions including product management, actuarial, legal, risk & compliance and underwriting. The Branch monitors the performance of new products and focuses on actively managing each part of the actuarial control cycle to minimise risk in the in-force book as well as new products.

Concentration risk

The management considers the concentration risk of insurance products from various perspectives to avoid underwriting of a concentration of risk when the events of loss occurs. Those include, but not limited to, the range of product offered, target group customers, geographical areas of covered in Thailand. The Branch has maintained a broad range and well-mixes of insurance products which are endowment, traditional whole-life, annuity, Accident & Health, credit life, and other protection products. Also, all insurance products are offered to all areas across Thailand.

Lapse

The risk arises from changes in the rates of policy termination or renewal. Management of the Branch monitor persistency closely and active monitoring and management of sales activities and persistency to mitigate the causes of lapse and to protect the Branch against potential misconduct.

Expenses

The active management of expenses reduces the risk of actual experience being adverse compared with the assumption used in the pricing of products. Budgeting and control process allows for the management of expenses within pricing estimates.

Morbidity and mortality

Management of the Branch ensure a comprehensive underwriting and claim guidelines and practices that have been developed based on historical experiences with reinsurance strategy. The Branch's actuarial teams conduct regular experience studies of all the insurance risk factors in its in-force book studies together with external data. Through monitoring the development of economic and social & technology development, management seeks to anticipate and respond promptly to potential adverse experience impacts on its products.

Reinsurance is used to reduce concentration and volatility risk, especially with the large policies or new risks, and as protection against catastrophic events such as pandemics or natural disasters.

4. Risk management (Cont'd)

4.2 Financial risk management

4.2.1 Credit risk

Credit risk is the impact arising from an obligor's inability to meet its obligations to the Branch. Credit risk is measured by the possibility of default from receivables and/or invested assets rather than absolute measures including the impact and the probability of a deterioration of the credit standing. Supporting data is credit standing that is provided by Global rating agency such as TRIS Rating Co., Ltd. and Fitch Rating (Thailand) Co., Ltd., etc. The key areas where the Branch is exposed to credit risk include repayment risk in respect of:

- Cash and cash equivalents including bank deposits
- Invested assets in debt securities, both government and private enterprise
- Loans and receivables (including premium receivable and certain balances in other assets)
- Derivative contracts
- Reinsurance assets and amount due from reinsurance

There is no significant concentration of credit risk. The credit risk for above items is the impact on the carrying value (net of allowances) as presenting in the statement of financial position and related notes to financial statements.

4.2.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The significant financial assets and liabilities can be separated by type of interest rates as follows:

	Variable interest rate Thousand Baht	Fixed interest rate Thousand Baht	Non-interest bearing Thousand Baht	Total Thousand Baht
As at 31 December 2018				
<u>Financial assets</u>				
Cash and cash equivalents	826,819	464,000	6,478,670	7,769,489
Accrued income on investments	-	-	5,684,483	5,684,483
Investment in securities, net	-	664,864,411	104,232,179	769,096,590
Loans, net	-	31,157,701	9	31,157,710
Assets held to cover linked liabilities	-	-	20,646,422	20,646,422
Total financial assets	826,819	696,486,112	137,041,763	834,354,694
<u>Financial liabilities</u>				
Investment liabilities	-	-	1,619,936	1,619,936
Other liabilities (partial)	5,698,259	-	-	5,698,259
Total financial liabilities	5,698,259	-	1,619,936	7,318,195

4. Risk management (Cont'd)

4.2 Financial risk management (Cont'd)

4.2.2 Interest rate risk (Cont'd)

The significant financial assets and liabilities can be separated by type of interest rates as follows: (Cont'd)

	Variable interest rate Thousand Baht	Fixed interest rate Thousand Baht	Non-interest bearing Thousand Baht	Total Thousand Baht
As at 31 December 2017				
Financial assets				
Cash and cash equivalents	1,008,926	350,000	1,407,349	2,766,275
Accrued income on investments	-	-	5,639,984	5,639,984
Investment in securities, net	-	663,253,296	122,238,325	785,491,621
Loans, net	-	29,725,553	168	29,725,721
Assets held to cover linked liabilities	-	-	15,112,004	15,112,004
Total financial assets	1,008,926	693,328,849	144,397,830	838,735,605
Financial liabilities				
Borrowings	-	15,400,000	-	15,400,000
Investment liabilities	-	-	2,996,650	2,996,650
Other liabilities (partial)	4,817,774	20,616	-	4,838,390
Total financial liabilities	4,817,774	15,420,616	2,996,650	23,235,040

4.2.3 Foreign currency rate risk

The foreign currency rate risk occurs from assets or liabilities in other currencies that are not in Thai Baht which is functional currency and reporting currency. The significant foreign currency exposure is offshore investment and the Branch manages by using the financial instrument to close this position e.g. cross currency swap contracts as disclosed in Note 13.

The accounting treatment for derivative financial instruments as recorded in this financial statement is disclosed in Note 3.21.

4.2.4 Liquidity risk

Liquidity risk is financing risk or the risk of difficulty in raising funds sufficiently and in time to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell financial asset quickly at close to its fair value.

The Branch's financial assets mainly comprises of cash and deposits at financial institutions and investment in securities which are highly liquid and able to be sold quickly at close to their fair value when the Branch wishes to raise fund. In addition, the Branch has maintained the investment ratio in high liquidity assets.

4.2.5 Fair value risk

Fair value risk is the risk arising from the change in value of financial instruments which occurs from the change in market value.

Cash and cash equivalents, accrued investment income, premium receivable, other financial assets, claim liability, policyholder deposit and due to insured and other financial liabilities have the carrying value as at the date in the statement of financial position nearly with the fair value.

The basis of the carrying value of investment in securities as presented in the statement of financial position are disclosed in Note 14.

5. Fair value

5.1 Fair value estimation

The table below presents financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities, and the Branch is able to access that market on valuation date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Branch's assets that are measured at fair value as at 31 December 2018 and 2017.

	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
As at 31 December 2018				
Assets				
Investment in securities				
Trading securities	998	-	-	998
Available-for-sale securities				
Debt securities	-	609,064,411	-	609,064,411
Equity securities	102,320,781	967,409	10,192	103,298,382
Assets held to cover				
linked liabilities	20,646,422	-	-	20,646,422
Investment property	-	-	16,410,000	16,410,000
Land and building	-	-	1,157,000	1,157,000
Total assets	<u>122,968,201</u>	<u>610,031,820</u>	<u>17,577,192</u>	<u>750,577,213</u>
As at 31 December 2017				
Assets				
Investment in securities				
Trading securities	1,417	-	-	1,417
Available-for-sale securities				
Debt securities	-	607,453,295	-	607,453,295
Equity securities	120,373,254	909,316	22,254	121,304,824
Assets held to cover				
linked liabilities	15,112,004	-	-	15,112,004
Investment property	-	-	15,000,000	15,000,000
Total assets	<u>135,486,675</u>	<u>608,362,611</u>	<u>15,022,254</u>	<u>758,871,540</u>

The Branch has no transfer between levels during the year.

5.2 Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Branch is obtained from exchange market and asset management companies. These instruments are included in level 1.

5. Fair value (Cont'd)

5.3 Financial instruments in level 2

Level 2 marketable debt securities are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market prices of other quoted debt instruments.

Level 2 marketable equity securities are fair valued based on closed price provided by an asset management company.

There were no changes in valuation techniques during the year.

5.4 Financial instruments in level 3

The changes in investment property and land and building are disclosed in Notes 17 and 19, respectively. The Branch engaged an external independent and qualified appraiser to determine the fair value of the investment property and land and building. Different valuation techniques may be adopted to reach the fair value of the properties. Under the Market Data Approach, records of recent sales and offerings of similar property are analysed and comparisons are made for factors such as size, location, quality and prospective use. The Discounted Cash Flow Approach may be used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the properties. On some occasions, the Cost Approach is used as well to calculate the fair value which reflects the cost that would be required to replace the service capacity of the property.

The following table presents the changes in level 3 financial instruments.

	Available-for-sale equity security 2018 Thousand Baht	Available-for-sale equity security 2017 Thousand Baht
Beginning balance as at 1 January	22,254	23,517
Gain (loss) on written-off investments		
Loss recognised in profit and loss	(8,089)	-
Gain recognised in other comprehensive income	843	-
Unrealised loss on change in value of available-for-sale investment	(4,816)	(1,263)
Closing balance as at 31 December	10,192	22,254

These securities used to be periodically fair valued at market price but has been fair valued employing an internally developed financial modelling. This is because the market price is not available due to trade suspension.

Key unobservable inputs are price per book value of comparable equity instruments. Changes in key unobservable inputs will not have a significant impact on fair value of this financial asset and to profit or loss.

5. Fair value (Cont'd)

5.4 Financial instruments in level 3 (Cont'd)

The Branch's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no changes in valuation techniques during the year.

Valuation process

Management has put a process of performing the valuations of financial assets required for financial reporting purposes, including Level 3 fair values. Appropriate valuation techniques and unobservable inputs are selectively used based on the characteristic of financial assets. The valuation of Level 3 fair value is reviewed and approved by management for financial reporting purposes.

The Branch engaged an external independent and qualified appraiser to determine the fair value of the investment property and land and building on the basis of the highest and best use of the properties that is physically possible, legally permissible and financially feasible, which will be revised every 6 months and 12 months, respectively.

Changes in level are analysed at the reporting date by management.

5.5 Fair value for assets and liabilities for which the fair value is disclosed at reporting date

A summary of fair value hierarchy of assets and liabilities not carried at fair value but for which the fair value is disclosed below:

	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
As at 31 December 2018				
Assets for which the fair value is disclosed				
Financial assets				
Derivative assets	-	6,816,439	-	6,816,439
Investment in securities				
Held to maturity	-	55,800,000	-	55,800,000
General investments	-	-	4,004,091	4,004,091
Mortgage loans, net	-	1,487,647	-	1,487,647
Total asset for which the fair value is disclosed	-	64,104,086	4,004,091	68,108,177
Liabilities for which the fair value is disclosed				
Financial liabilities				
Investment liabilities	-	-	1,619,936	1,619,936
Derivative liabilities	-	1,139,250	-	1,139,250
Total liabilities for which the fair value is disclosed	-	1,139,250	1,619,936	2,759,186

5. Fair value (Cont'd)

5.5 Fair value for assets and liabilities for which the fair value is disclosed at reporting date (Cont'd)

	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
As at 31 December 2017				
Assets for which the fair value is disclosed				
Financial assets				
Derivative assets	-	5,641,164	-	5,641,164
Investment in securities				
Held to maturity	-	55,800,000	-	55,800,000
General investments	-	-	3,632,352	3,632,352
Mortgage loans, net	-	1,531,095	-	1,531,095
Total asset for which the fair value is disclosed	-	62,972,259	3,632,352	66,604,611
Liabilities for which the fair value is disclosed				
Financial liabilities				
Borrowing	-	15,400,000	-	15,400,000
Investment liabilities	-	-	2,996,650	2,996,650
Derivative liabilities	-	983,743	-	983,743
Other liabilities (partial)	-	20,616	-	20,616
Total liabilities for which the fair value is disclosed	-	16,404,359	2,996,650	19,401,009

Debt securities classified as held-to-maturity are fair valued in the same manner as those classified as available-for-sale as described in Note 3.6.

The fair value of general investments, which quoted market prices is not available, is determined by discounted cash flow approach using internally developed financial modelling.

Other financial instruments not carried at fair value are typically short-term in nature. Accordingly, their carrying amount is a reasonable approximation of fair value. This includes cash and cash equivalents, accrued investment income, premium receivable, receivable from sale of investments, other assets, payable for purchase of investments, borrowing and other liabilities.

6. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed reasonable under the circumstances.

The Branch makes estimates and assumptions concerning the future events. The resulting of accounting estimates may differ from the related actual results. The estimates and assumptions that are significant causing a risk of material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

6.1 Product classification

The Branch issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk, while investment contracts are those contracts without significant insurance risk. The Branch exercises significant judgment to determine whether there is a scenario (other than those lacking commercial substance) in which an insured event would require the Branch to pay significant additional benefits to its customers.

In the event the Branch has to pay significant additional benefits to its customers, the contract is accounted for as an insurance contract. The accounting policy on product classification is described in Note 3.14.1.

6.2 Insurance contract liabilities (including liabilities in respect of investment contracts with DPF)

The Branch calculates the insurance contract liabilities for traditional life insurance using a net premium valuation method, whereby the liability represents the present value of estimated future policy benefits to be paid, less the present value of estimated future net premiums to be collected from policyholders. This method uses assumptions approved by OIC without a provision for adverse deviation. Assumptions are set at the policy inception date and remained locked-in thereafter, unless a deficiency arises on liability adequacy testing. If the test shows that the liability is inadequate, the entire deficiency is recognised in profit or loss.

For contracts with an explicit account balance, such as universal life and unit-linked contracts, insurance contract liabilities represent the accumulation value, which represents premiums received and investment returns credited to the policy less deductions for mortality and morbidity costs and expense charges.

6.3 Liabilities adequacy testing

The Branch evaluates the adequacy of its insurance and investment contract liabilities with DPF quarterly. Significant judgment is exercised in determining the level of aggregation at which liability adequacy testing is performed and in selecting best estimate assumptions. Liability adequacy is assessed by portfolio of contracts in accordance with the Branch's manner of acquiring, servicing and measuring the profitability of its insurance contracts. The Branch performs liability adequacy testing at entity level.

6. Critical accounting estimates and judgments (Cont'd)

6.4 Fair value of land, property and investment property

The Branch engaged an external independent appraiser to determine the fair value of the land, building and investment property. The valuation is based on the highest and best use of such land, building and investment property in practicable extents of property's nature, legal and finance which the management assesses that the current use is considered as the highest and best use for fair value valuation.

The valuation techniques and valuation process of land, building and investment property are disclosed in Note 5.4.

6.5 Allowance for doubtful account

The Branch recognises an allowance for doubtful accounts of loans which are not collected from debtors by assessment being based on analysis and ability of each debtor to make required payments.

6.6 Impairment of investments

The Branch determines an impairment of investments when there is objective evidence that the issuer of the securities has significant financial difficulties, has defaulted or breached the contract terms, or the securities are illiquid due to the issuer's financial difficulties or a high probability that an issuer would be bankrupt or is undergoing a rehabilitation plan or the securities are prolonged declining in value.

6.7 Employee benefits

The Branch has a legal and constructive commitment to pay post-retirement benefits to employees when they reach retirement age. The present value of employee benefit liabilities recognised in the statement of financial position is determined on an actuarial basis utilising various demographical and economic assumptions, for example, discount rate, salary increment rate, employee turnover rate and probability of each employee working with the Branch until termination.

7. Capital risk management

The Branch's objectives when managing capital are to safeguard the Branch's ability to continue as a going concern in order to meet policyholder liabilities whilst providing a return for Head Office and other stakeholders.

The Branch monitors its solvency capital in compliance with related regulations as announced by the Office of Insurance Commission under the Risk-Based Capital framework under Life Insurance Act B.E 2535 and amended by Life Insurance Act No.2 B.E 2551 and No.3 B.E 2558 for the purpose of assessing the solvency capital requirement.

8. Change in accounting policies and presentation

Change in accounting policies

With effect from 31 December 2018, the Branch has changed the accounting policy related to the measurement of land and building from cost model to revaluation model by applying prospective adjustments. The change has been made purposefully to reflect the fair value of land and building. The management considered that such information would be beneficial to financial statements user. The unrealised gain (loss) arising from the difference between the revalued amount and the carrying amount was presented in gain on asset revaluation within Head Office's equity of Baht 1,025 million (Baht 820 million, net of taxes).

With effect from 31 December 2018, the Branch has changed the accounting policy related to the measurement of investment property from cost model to fair value model by applying retrospective adjustments. The change has been made purposefully to reflect the fair value of investment property. The management considered that such information would be beneficial to financial statements user. The change in accounting policy has affected statements of financial position as at 31 December 2017 and 1 January 2017 and statement of comprehensive income for the year ended 31 December 2017 as follow:

Statement of financial position

As at 1 January 2017, investment property increased by Baht 5,193 million, deferred tax liabilities increased by Baht 1,039 million, and retained earnings increased by Baht 4,154 million.

As at 31 December 2017, investment property increased by Baht 6,105 million, deferred tax liabilities increased by Baht 1,221 million, and retained earnings increased by Baht 4,884 million.

Statement of comprehensive income

Fair value gains on investment property increased by Baht 730 million, net investment income increased by Baht 182 million, income tax expense increased by Baht 182 million, and net profit increased by Baht 730 million.

With effect from 31 December 2018, the Branch has changed the accounting policy in relation to product classification and claim reserving methodology by applying retrospective adjustments. The changes were purposefully to align with regulatory reporting basis and standardise with related reporting basis, respectively. The changes in accounting policy has affected statements of financial position as at 31 December 2017 and 1 January 2017 and statement of comprehensive income for the year ended 31 December 2017 as follow:

Statement of financial position

As at 1 January 2017, reinsurance assets increased by Baht 164 million, insurance liabilities increased by Baht 139 million, deferred tax liabilities increased by Baht 5 million and retained earnings increased by Baht 21 million.

As at 31 December 2017, reinsurance assets increased by Baht 150 million, insurance liabilities increased by Baht 436 million, deferred tax liabilities decreased by Baht 57 million and retained earnings decreased by Baht 229 million.

Statement of comprehensive income

Gross benefits and claim paid increased by Baht 297 million, benefits and claim paid recovered from reinsurers decreased by Baht 15 million, income tax expense decreased by Baht 62 million and net profit decreased by Baht 250 million.

8. Change in accounting policies and presentation (Cont'd)

Change in presentation

For disclosure purpose, the comparative figures are reclassified and presented to conform to the current year financial statements. The significant reclassification transactions are as follows:

Statement of comprehensive income

Change in long-term technical reserve amounting to Baht 105 million is reclassified to present under change in unearned premium reserve.

9. Cash and cash equivalents

	2018 Thousand Baht	2017 Thousand Baht
Cash on hand	6,259	1,517
Deposits held at call with banks and financial institutions	2,969,970	2,414,758
Short-term investments	4,793,260	350,000
Cash and cash equivalents	7,769,489	2,766,275

10. Premium receivable

The balances of premium receivable were aged as follows:

	From direct insurance	
	2018 Thousand Baht	2017 Thousand Baht
Current	5,321,303	5,332,074
Overdue		
Not over 30 days	1,244,653	1,347,939
31 - 60 days	16,690	16,061
61 - 90 days	7,773	7,404
Over 90 days	6,325	6,559
Total premium receivable	6,596,744	6,710,037

The premium receivable is aged by legal grace period or credit term.

11. Reinsurance assets

The details of reinsurance assets are as follows:

	2018 Thousand Baht	(Restated) 2017 Thousand Baht
Claim reserve (Note 35 (b))	30,270	26,434
Claim incurred but not reported	177,912	160,613
Unearned premium reserve	86,458	87,316
Others (Note 35 (b))	4,784	7,271
Total reinsurance assets	299,424	281,634

12. Amount due from reinsurance

The details of amount due from reinsurance are as follows:

	2018 Thousand Baht	2017 Thousand Baht
Due from reinsurance (Note 35 (b))	1,906	11,456
Total amount due from reinsurance	1,906	11,456

The amount due from reinsurance was aged as follows:

	2018 Thousand Baht	2017 Thousand Baht
Current	1,906	11,456
Overdue		
Not over 12 months	-	-
1-2 years	-	-
Over 2 years	-	-
Total amount due from reinsurance	1,906	11,456

13. Derivative assets and liabilities

The details of derivative assets are as below:

2018				
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Book value Thousand Baht
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	237	76,793,657	2,896,345
Interest rate swap	Closing position of floating interest rate	306	-	-
Total		543	76,793,657	2,896,345

2017				
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Book value Thousand Baht
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	216	66,715,811	2,764,836
Interest rate swap	Closing position of floating interest rate	201	-	-
Total		417	66,715,811	2,764,836

The details of derivative liabilities are as below:

2018				
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Book value Thousand Baht
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	87	27,938,556	659,237
Total		87	27,938,556	659,237

2017				
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Book value Thousand Baht
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	122	36,083,800	1,282,922
Total		122	36,083,800	1,282,922

As at 31 December 2018, the Branch has hedged the risk on foreign currency offshore bonds and debentures by entering into cross currency swap contracts with local banks and branches of foreign banks. The face value of these hedges is U.S. Dollar 3,119 million and Euro 21 million (As at 31 December 2017: U.S. Dollar 3,078 million and Euro 1 million) which were comprised of effective contracts of U.S. Dollar 3,063 million and Euro 21 million and non-effective contracts of U.S. Dollar 56 million (As at 31 December 2017: effective contracts of U.S. Dollar 2,751 million and Euro 1 million and non-effective contracts of U.S. Dollar 327 million).

14. Investment in securities, net

The details of investment in securities are as follows:

	2018		2017	
	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht
<u>Trading securities</u>				
Private enterprise debt securities	1,600	998	424	1,417
Total	1,600	998	424	1,417
Add (Less) Unrealised gain (loss)	(602)	-	993	-
Total trading securities	998	998	1,417	1,417
<u>Available-for-sale securities</u>				
Government and state enterprise securities	434,240,333	451,184,087	422,297,137	456,569,847
Private enterprise debt securities	58,018,013	59,711,871	47,116,475	49,949,594
Foreign debt securities	102,627,199	98,168,453	96,308,322	100,933,854
Equity securities	69,784,592	103,298,382	70,953,577	121,297,578
Foreign equity securities	-	-	27,984	7,246
Total	664,670,137	712,362,793	636,703,495	728,758,119
Add Unrealised gain	48,378,341	-	92,391,335	-
Less Provision for impairment	(685,685)	-	(336,711)	-
Total available-for-sale, net	712,362,793	712,362,793	728,758,119	728,758,119
<u>Held-to-maturity securities</u>				
Promissory notes	51,500,000	51,500,000	51,500,000	51,500,000
Deposit with financial institutions with maturity over 3 months	4,300,000	4,300,000	4,300,000	4,300,000
Total held-to-maturity securities	55,800,000	55,800,000	55,800,000	55,800,000
<u>General investments</u>				
Equity securities	932,799	4,004,091	932,085	3,632,352
Total general investment	932,799	4,004,091	932,085	3,632,352
Total investment in securities, net	769,096,590	772,167,882	785,491,621	788,191,888

14. Investments in securities, net (Cont'd)

During the year 2018, the Branch had revenue recognised relating to investment as follows:

- Interest income and dividend income from investments amounting to Baht 28,108 million and Baht 3,513 million, respectively (2017: Baht 27,672 million and Baht 3,398 million, respectively).
- Consideration received from selling investments totalling Baht 100,942 million (2017: Baht 106,063 million) and gain from selling investments totalling Baht 11,128 million (2017: Baht 7,958 million).

As at 31 December 2018, the Branch had government bonds and promissory notes deposited with the Office of Insurance Commission in order to comply with the Life Insurance Act with a fair value amounting to Baht 154,899 million (As at 31 December 2017: Baht 155,349 million).

As at 31 December 2018, the Branch had government bonds under obligations of Securities Borrowing and Lending with Bank of Thailand with a fair value amounting to Baht 11,033 million (As at 31 December 2017: Nil).

During April to June 2017, the Branch partially revised the classification of held-to-maturity debt securities to available-for-sale due to a change in investment policy. As at 31 December 2018, the unrealised gain arising from the difference between the fair value and amortised cost of the debt securities was included in unrealised gain on changes in fair value of investments within Head Office's equity of Baht 18,102 million (Baht 14,482 million, net of tax) (As at 31 December 2017: Baht 20,175 million and Baht 16,140 million, net of tax) and the amortised cost of the transferred debt securities equaled to Baht 125,194 million (As at 31 December 2017: Baht 145,618 million). For the year ended 31 December 2018, the realised gain from partial sale of reclassified debt securities was Baht 413 million (2017: Baht 739 million).

14. Investment in securities, net (Cont'd)

14.1 The maturity of debt securities

The details of debt securities classified as available-for-sale and held-to-maturity are aged as follows:

	2018				2017				Unit : Thousand Baht
	Maturing within			Total	Maturing within			Total	
	1 year	1 - 5 years	Over 5 years		1 year	1 - 5 years	Over 5 years		
Available-for-sale									
Government and state enterprise securities									
Government bonds	15,090,151	72,329,282	327,390,409	414,809,842	11,897,276	79,052,839	311,407,803	402,357,918	
State enterprise bonds	10,601	8,619,623	10,800,267	19,430,491	1,441,378	6,177,472	12,320,369	19,939,219	
Total	15,100,752	80,948,905	338,190,676	434,240,333	13,338,654	85,230,311	323,728,172	422,297,137	
Add (Less) Unrealised gain (loss)	(720,831)	(511,719)	18,176,304	16,943,754	(182,820)	822,894	33,632,636	34,272,710	
Total	14,379,921	80,437,186	356,366,980	451,184,087	13,155,834	86,053,205	357,360,808	456,569,847	
Private enterprise securities									
Bill of exchanges	-	291,229	-	291,229	1,452,154	286,210	-	1,738,364	
Debentures	253,539	10,520,160	46,953,085	57,726,784	809,882	6,003,367	38,564,862	45,378,111	
Total	253,539	10,811,389	46,953,085	58,018,013	2,262,036	6,289,577	38,564,862	47,116,475	
Add Unrealised gain	4,593	473,021	1,316,244	1,793,858	51,122	378,638	2,503,359	2,933,119	
Less Allowance for impairment	(100,000)	-	-	(100,000)	(100,000)	-	-	(100,000)	
Total	158,132	11,284,410	48,269,329	59,711,871	2,213,158	6,668,215	41,068,221	49,949,594	

14. Investments in securities, net (Cont'd)

14.1 The maturity of debt securities (Cont'd)

The details of debt securities classified as available-for-sale and held-to-maturity are aged as follows: (Cont'd)

	2018			2017			Unit : Thousand Baht	
	Maturing within			Maturing within				
	1 year	1 - 5 years	Over 5 years	Total	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale (Cont'd)								
<u>Foreign securities</u>								
Bonds	-	58,336	18,052,825	18,111,161	336,901	60,410	15,655,776	16,053,087
State enterprise bonds	987,746	5,697,480	37,135,270	43,820,496	899,420	4,348,422	39,520,465	44,768,307
Debentures	-	1,087,269	39,608,273	40,695,542	-	1,087,493	34,399,435	35,486,928
Total	987,746	6,843,085	94,796,368	102,627,199	1,236,321	5,496,325	89,575,676	96,308,322
Add (Less) Unrealised gain (loss)	(42,464)	(64,489)	(4,351,793)	(4,458,746)	15,420	96,115	4,513,997	4,625,532
Total	945,282	6,778,596	90,444,575	98,168,453	1,251,741	5,592,440	94,089,673	100,933,854
Total available-for-sale, net	15,483,335	98,500,192	495,080,884	609,064,411	16,620,733	98,313,860	492,518,702	607,453,295
Held-to-maturity								
<u>Government and state enterprise securities</u>								
Promissory notes	-	-	51,500,000	51,500,000	-	-	51,500,000	51,500,000
Total	-	-	51,500,000	51,500,000	-	-	51,500,000	51,500,000
<u>Private enterprise securities</u>								
Others	4,300,000	-	-	4,300,000	-	4,300,000	-	4,300,000
Total	4,300,000	-	-	4,300,000	-	4,300,000	-	4,300,000
Total held-to-maturity	4,300,000	-	51,500,000	55,800,000	-	4,300,000	51,500,000	55,800,000
Total investment in debt securities, net	19,783,335	98,500,192	546,580,884	664,864,411	16,620,733	102,613,860	544,018,702	663,253,295

15. Investment in associates

The Branch has interests in an immaterial associate.

Investment in associates are accounted by using the cost method as follows:

Associates	Type of business	Ownership interest		Cost method	
		2018 %	2017 %	2018 Thousand Baht	2017 Thousand Baht
P.C. - AIA Company Limited	Real estate	49	49	171,500	171,500
Total				171,500	171,500

The Branch has not presented financial statements in which investments in associates are accounted for using the equity method because the ultimate holding company (AIA Group) uses the equity method in the consolidated financial statements which are available for public use. This is permitted under TAS 28 (revised 2017) "Investment in Associates and Joint Ventures".

16. Loans, net

The details of loans and accrued interests are aged by outstanding period as follows:

	2018							Unit : Thousand Baht		
	Policy loans		Mortgage loans		Loans to employees		Total			
	Principle	Accrued Interest	Principle	Accrued Interest	Principle	Accrued Interest		Principle	Accrued Interest	Total
Outstanding period										
Current	29,670,054	871,117	1,462,726	1,090	9	-	-	31,132,789	872,207	32,004,996
Overdue										
Less than 3 months	-	-	648	7	-	-	-	648	7	655
3 - 6 months	-	-	1,066	-	-	-	-	1,066	-	1,066
6 - 12 months	-	-	-	-	-	-	-	-	-	-
More than 12 months	-	-	32,284	-	-	-	-	32,284	-	32,284
Total	29,670,054	871,117	1,496,724	1,097	9	-	-	31,166,787	872,214	32,039,001
Less Allowance for doubtful accounts	-	-	(9,077)	-	-	-	-	(9,077)	-	(9,077)
Loans and accrued interests, net	29,670,054	871,117	1,487,647	1,097	9	-	-	31,157,710	872,214	32,029,924
	2017							Unit : Thousand Baht		
	Policy loans		Mortgage loans		Loans to employees		Total			
	Principle	Accrued Interest	Principle	Accrued Interest	Principle	Accrued Interest		Principle	Accrued Interest	Total
Outstanding period										
Current	28,194,458	822,327	1,498,156	1,098	168	-	-	29,692,782	823,425	30,516,207
Overdue										
Less than 3 months	-	-	7,333	36	-	-	-	7,333	36	7,369
3 - 6 months	-	-	-	-	-	-	-	-	-	-
6 - 12 months	-	-	361	-	-	-	-	361	-	361
More than 12 months	-	-	49,197	-	-	-	-	49,197	-	49,197
Total	28,194,458	822,327	1,555,047	1,134	168	-	-	29,749,673	823,461	30,573,134
Less Allowance for doubtful accounts	-	-	(23,952)	-	-	-	-	(23,952)	-	(23,952)
Loans and accrued interests, net	28,194,458	822,327	1,531,095	1,134	168	-	-	29,725,721	823,461	30,549,182

Accrued interests are presented under "Accrued investment income" on Statement of Financial Position.

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17. Investment property

	2018					Unit : Thousand Baht				
	Cost/Fair value									
	For the year									
	Beginning balance 1 January 2018	Additions from acquisition and capitalised subsequent expenditures	Write-off	Reclassify	Fair value gain	Ending balance 31 December 2018				
Land	6,595,000	1,020,235	-	-	1,174,765	8,790,000				
Buildings and improvements	8,405,000	38,339	(5,579)	(33,135)	(784,625)	7,620,000				
Total	15,000,000	1,058,574	(5,579)	(33,135)	390,140	16,410,000				
	2017 (Restated)					Unit : Thousand Baht				
	Cost/Fair value									
	For the year									
	Beginning balance 1 January 2017	Additions from acquisition and capitalised subsequent expenditures	Write-off	Reclassify	Fair value gain	Ending balance 31 December 2017				
Land	5,874,000	-	-	-	721,000	6,595,000				
Buildings and improvements	8,326,000	70,267	-	-	8,733	8,405,000				
Total	14,200,000	70,267	-	-	729,733	15,000,000				

In 2018, the Branch engaged an external independent and qualified appraiser to determine the fair value of the investment property. The valuation techniques and valuation process of investment property are disclosed in Note 5.4.

For the year ended 31 December 2018, the investment property generated rental income amounting to Baht 923 million (31 December 2017: Baht 805 million) and its direct operating expenses (including repair and maintenance) arise from investment property that generated rental income amounting to Baht 287 million (31 December 2017: Baht 263 million).

18. Assets held to cover linked liabilities

	2018 Thousand Baht	2017 Thousand Baht
Investment in mutual funds - debt securities	6,130,555	4,163,279
Investment in mutual funds - equity securities	14,515,867	10,948,725
Total	<u>20,646,422</u>	<u>15,112,004</u>

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19. Property, plant and equipment

	2018										Unit : Thousand Baht		
	Cost/Revaluation					Accumulated depreciation							
	Beginning balance 1 January 2018	For the year				Ending balance 31 December 2018	Beginning balance 1 January 2018	Depreciation charge	For the year			Ending balance 31 December 2018	Property plant and equipment
		Addition	Write-off	Disposal	Transfer				Gain on 31 December revaluation	Write-off			
Land	52,637	-	-	-	-	407,363	460,000	-	-	-	-	-	460,000
Buildings and improvements	700,050	-	-	-	-	(3,050)	697,000	612,879	7,435	-	-	(620,314)	697,000
Furniture, fixtures and equipment	2,020,953	22,316	(20,936)	(28,586)	39,514	-	2,033,261	1,582,609	112,860	(20,935)	(27,521)	-	1,647,013
Computer hardware	863,066	131,167	(8,843)	(28,538)	-	-	956,852	791,399	46,192	(5,587)	(28,529)	-	803,475
Motor vehicles	40,010	11,799	-	-	-	-	51,809	29,361	3,857	-	-	-	33,218
Construction in progress	13,951	382,039	-	-	(39,514)	-	356,476	-	-	-	-	-	356,476
Total	3,690,667	547,321	(29,779)	(57,124)	-	404,313	4,555,398	3,016,248	170,344	(26,522)	(56,050)	(620,314)	2,483,706
													2,071,692

In 2018, the Branch engaged an external independent and qualified appraiser to determine the fair value of the land and buildings as of December 31, 2018. The valuation techniques and valuation process of land and buildings are disclosed in Note 5.4.

If the land and buildings are stated on the cost model, the carrying value would be Baht 53 million and Baht 80 million, respectively.

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19. Property, plant and equipment (Cont'd)

	2017										Unit : Thousand Baht	
	Cost					Accumulated depreciation						
	Beginning balance 1 January 2017	For the year			Ending balance 31 December 2017	Beginning balance 1 January 2017	For the year			Ending balance 31 December 2017		
		Addition	Write-off	Disposal			Transfer	Depreciation charge	Write-off			Disposal
Land	52,637	-	-	-	-	52,637	-	-	-	-	-	52,637
Buildings and Improvements	700,050	-	-	-	-	700,050	605,502	7,377	-	-	612,879	87,171
Furniture, fixtures and equipment	1,932,392	44,172	(99,805)	(16,897)	161,091	2,020,953	1,591,517	107,558	(99,580)	(16,886)	1,582,609	438,344
Computer hardware	819,109	58,992	(2,833)	(12,202)	-	863,066	779,303	27,131	(2,833)	(12,202)	791,399	71,667
Motor vehicles	36,151	3,859	-	-	-	40,010	24,501	4,860	-	-	29,361	10,649
Construction in progress	-	175,042	-	-	(161,091)	13,951	-	-	-	-	-	13,951
Total	3,540,339	282,065	(102,638)	(29,099)	-	3,690,667	3,000,823	146,926	(102,413)	(29,088)	3,016,248	674,419

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20. Intangible assets

Intangible assets consist of computer software, distribution rights, copyrights and membership as follows:

	2018										Unit : Thousand Baht			
	Cost					Accumulated amortisation								
	For the year					For the year								
	Beginning balance 1 January 2018	Addition	Write-off	Transfer	Reclassify	Adjustment	Ending balance 31 December 2018	Beginning balance 1 January 2018	Amortisation charge	Write-off	Ending balance 31 December 2018	Intangible assets		
Computer software	1,429,806	105,294	(225,244)	150,665	-	-	1,460,521	1,048,734	126,588	(225,239)	950,083	510,438		
Other	72,671	-	-	-	-	-	72,671	60,921	11,750	-	72,671	-		
Work in progress	238,412	87,460	-	(150,665)	33,135	(20,504)	187,838	-	-	-	-	187,838		
Total	1,740,889	192,754	(225,244)	-	33,135	(20,504)	1,721,030	1,109,655	138,338	(225,239)	1,022,754	698,276		

	2017										Unit : Thousand Baht			
	Cost					Accumulated amortisation								
	For the year					For the year								
	Beginning balance 1 January 2017	Addition	Write-off	Transfer	Reclassify	Adjustment	Ending balance 31 December 2017	Beginning balance 1 January 2017	Amortisation charge	Write-off	Ending balance 31 December 2017	Intangible assets		
Computer software	1,245,842	74,276	-	109,688	-	-	1,429,806	946,922	101,812	-	1,048,734	381,072		
Other	72,671	-	-	-	-	-	72,671	47,755	13,166	-	60,921	11,750		
Work in progress	204,149	143,951	-	(109,688)	-	-	238,412	-	-	-	-	238,412		
Total	1,522,662	218,227	-	-	-	-	1,740,889	994,677	114,978	-	1,109,655	631,234		

21. Other assets

	2018 Thousand Baht	2017 Thousand Baht
Prepaid leasehold (Note 35 (b))	349,408	377,315
Deposits (Note 35 (b))	153,022	151,596
Amounts due from a related party (Note 35 (b))	104,064	70,010
Receivables from sale of investments	1,457,134	1,255,761
Cash collateral from derivative contracts and repurchase agreements (Repo)	-	7,378
Others	241,594	219,945
Total	2,305,222	2,082,005

Cash collateral from derivative contracts and repurchase agreements (Repo) is cash collateral in which the Branch has pledged under the derivative contracts and repurchase agreements (Repo) with financial institutions.

22. Borrowings

The details of borrowings are presented below:

Short term borrowings

	2018		2017	
	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht
Borrowings with repurchase agreement (Repo)	-	-	15,400,000	20,616
Total	-	-	15,400,000	20,616

As at 31 December 2017, the Branch had sold government bonds with Repurchase Agreements (Repo) to commercial banks as collateral for borrowings with the same amount. The certain government bonds have nominal value amounting to Baht 13,365 million. The interest rate of the borrowing agreement was 1.5% per annum.

The accrued interests are presented under "Other liabilities" on Statement of Financial Position.

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23. Insurance liabilities

	Unit : Thousand Baht				
	2018		2017 (Restated)		
	Insurance contract liabilities	Liabilities recovered from reinsurance	Insurance contract liabilities	Liabilities recovered from reinsurance	Net
Long-term technical reserves	572,249,868	-	545,373,364	-	545,373,364
Claim liability					
- Reported claim	1,414,329	(35,054)	1,540,729	(33,705)	1,507,024
- Claim incurred but not reported	1,167,892	(177,912)	1,062,212	(160,613)	901,599
Premium liability					
- Unearned premium reserve	15,316,716	(86,458)	14,425,714	(87,316)	14,338,398
Unpaid policy benefits	332,774	-	412,361	-	412,361
Due to insured	89,763,140	-	79,907,490	-	79,907,490
Total	680,244,719	(299,424)	642,721,870	(281,634)	642,440,236

23. Insurance liabilities (Cont'd)

23.1 Long-term technical reserves

The movement details are below:

	2018 Thousand Baht	(Restated) 2017 Thousand Baht
Beginning balance for the year	545,373,364	517,556,278
Policy reserve movement for new policies and inforce policies during the year	69,396,913	69,129,084
Net movement in benefits payable to life policyholders for death, maturity, surrenders, other policyholders benefits and claims	(42,398,671)	(41,674,557)
Others	(121,738)	362,559
Closing balance at the end of year	<u>572,249,868</u>	<u>545,373,364</u>

Long-term technical reserves are calculated using Net Premium Valuation method for traditional life products. The mortality table used are industry mortality tables prescribed by OIC, i.e. Thai Mortality Table for Ordinary Life. The interest rate assumptions used vary by products and range from 2.0% to 6.0%. These assumptions are locked-in at policy issue date throughout the policy life. For non-traditional life products, e.g. universal life and unit-linked, the non-unit reserve is calculated as a percentage of cost of insurance in current month.

Aging of insurance contract liabilities' repayment based on current estimate is as follows:

	2018 Thousand Baht	(Restated) 2017 Thousand Baht
Repayment within 1 year	79,904,481	53,439,567
Repayment between 1-5 years	315,617,260	325,301,722
Repayment over 5 years	1,397,977,949	1,324,469,873
Total	<u>1,793,499,690</u>	<u>1,703,211,162</u>

23. Insurance liabilities (Cont'd)

23.2 Short-term technical reserves

23.2.1 Claim liability

The movement details are below:

	2018 Thousand Baht	(Restated) 2017 Thousand Baht
Beginning balance for the year	2,602,941	2,501,445
Insurance claims and loss adjustment expenses incurred during the year	19,128,566	17,287,540
Changes in claim reserve from change in assumption during the year	105,680	(13,823)
Insurance claims and loss adjustment expenses paid during the year	(19,254,966)	(17,172,221)
Closing balance at the end of year	<u>2,582,221</u>	<u>2,602,941</u>

23.2.2 Unearned premium reserve

	2018 Thousand Baht	(Restated) 2017 Thousand Baht
Beginning balance for the year	14,425,714	13,959,426
Premium written for the year	35,453,907	33,717,571
Premium earned in the year	(34,562,905)	(33,251,283)
Closing balance at the end of year	<u>15,316,716</u>	<u>14,425,714</u>

23. Insurance liabilities (Cont'd)

23.3 Claim Development Table

23.3.1 Claim development table before reinsurance

	2018				Unit: Thousand Baht	
	Incident Year					
	2014	2015	2016	2017		2018
Reported Year						
Estimated claim:						
- At the end of the year	12,453,611	14,247,144	16,110,257	15,822,313	17,607,231	76,240,556
- After 1 year	13,074,040	14,931,290	16,804,577	16,431,680	-	61,241,587
- After 2 year	13,098,467	14,948,052	16,812,829	-	-	44,859,348
- After 3 year	13,108,125	14,952,526	-	-	-	28,060,651
- After 4 year	13,112,618	-	-	-	-	13,112,618
Absolute estimated claim	13,112,618	14,952,526	16,812,829	16,471,319	18,672,317	80,021,609
Cumulative claim paid	13,112,618	14,952,526	16,812,829	16,431,680	16,192,902	77,502,555
Total claim reserve	-	-	-	39,639	2,479,415	2,519,054
Claim liability under other IBNR methodology	-	-	-	-	63,167	63,167
Total claim liability	-	-	-	39,639	2,542,582	2,582,221

23. Insurance liabilities (Cont'd)

23.3 Claim Development Table (Cont'd)

23.3.2 Claim development table after reinsurance

	2018				Unit: Thousand Baht	
	Incident Year					
	2014	2015	2016	2017		
Reported Year						
Estimated claim:						
- At the end of the year	11,985,000	13,845,912	15,543,861	15,196,194	16,905,642	73,476,609
- After 1 year	12,560,420	14,461,063	16,162,268	15,729,102	-	58,912,853
- After 2 year	12,579,732	14,476,038	16,167,803	-	-	43,223,573
- After 3 year	12,587,208	14,478,511	-	-	-	27,065,719
- After 4 year	12,590,402	-	-	-	-	12,590,402
Absolute estimated claim	12,590,402	14,478,511	16,167,803	15,761,026	17,803,247	76,800,989
Cumulative claim paid	12,590,402	14,478,511	16,167,803	15,729,102	15,526,367	74,492,185
Total claim reserve	-	-	-	31,924	2,276,880	2,308,804
Claim liability under other IBNR methodology	-	-	-	-	60,451	60,451
Total claim liability	-	-	-	31,924	2,337,331	2,369,255

23. Insurance liabilities (Cont'd)

23.4 Unpaid policy benefits

The details are as below:

	2018 Thousand Baht	(Restated) 2017 Thousand Baht
Death benefits	332,774	412,361
Total	332,774	412,361

23.5 Due to insured

The details of due to insured are presented below:

	2018 Thousand Baht	2017 Thousand Baht
Deposits from insurance contracts	58,233,492	54,084,240
Account value of universal life insurance contracts	10,883,226	10,711,246
Account value of unit linked insurance contracts	20,646,422	15,112,004
Total	89,763,140	79,907,490

24. Investment liabilities

	2018 Thousand Baht	2017 Thousand Baht
Beginning balance for the year	2,996,650	3,068,251
Investment contract benefits	(1,507,119)	(200,896)
Change in investment contract liabilities	130,405	129,295
Closing balance at the end of year	1,619,936	2,996,650

25. Amount due to reinsurance

	2018 Thousand Baht	2017 Thousand Baht
Fund reserve	9,601	8,458
Outward premium payable (Note 35 (b))	349,719	198,726
Total amount due to reinsurance	359,320	207,184

26. Employee benefit liabilities

	2018 Thousand Baht	2017 Thousand Baht
Short-term employee benefits	425,614	451,903
Long-term employee benefits	2,637,205	2,914,848
	<u>3,062,819</u>	<u>3,366,751</u>

26.1 Long-term employee benefits

The long-term employee benefits comprise of provision for severances benefit under Thai Labour Law and other defined benefit plans. All of them are unfunded obligations. The amounts recognised in the statements of financial position are as follows:

	2018 Thousand Baht	2017 Thousand Baht
Present value of employee benefits obligations	2,637,205	2,914,848
	<u>2,637,205</u>	<u>2,914,848</u>

The amounts recognised in profit or loss are as follows:

	2018 Thousand Baht	2017 Thousand Baht
Current service cost	92,136	92,072
Interest cost	79,854	64,214
Others	(35,458)	11,441
	<u>136,532</u>	<u>167,727</u>

Changes in the present value of the long-term employee benefits are as follows:

	2018 Thousand Baht	2017 Thousand Baht
Beginning of the year	2,914,848	2,818,661
Current service cost	92,136	92,072
Interest cost	79,854	64,214
Remeasurements of long-term employee benefits	(101,476)	(23,129)
Others	(35,458)	11,441
<u>Less</u> Benefits paid	<u>(312,699)</u>	<u>(48,411)</u>
Ending of the year	<u>2,637,205</u>	<u>2,914,848</u>

26. Employee benefit liabilities (Cont'd)

26.1 Long-term employee benefits (Cont'd)

Principal actuarial assumptions at 31 December are shown as follows:

	2018	2017
Discount rate	2.50% - 3.50%	2.50% - 3.50%
Future salary increases	4.00% - 6.00%	4.00% - 6.00%
Mortality assumption	80% Mortality 2017	80% Mortality 2017

Impact on defined benefit obligation			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.5%	Decrease by 7%	Increase by 8%
Future salary	1%	Increase by 12%	Decrease by 11%

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee benefit obligations recognised within the statement of financial position.

The weighted average duration of the defined benefit obligation is 16 years.

Expected maturity analysis of undiscounted long-term employee benefits:

	Less than a year Thousand Baht	Between 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
At 31 December 2018				
Long-term employee benefits	127,283	370,714	4,185,811	4,683,808
Total	127,283	370,714	4,185,811	4,683,808
At 31 December 2017				
Long-term employee benefits	140,029	406,488	4,387,332	4,933,849
Total	140,029	406,488	4,387,332	4,933,849

26.2 Provident fund

The Branch and its employees have jointly established a provident fund scheme under the Provident Fund Act B.E. 2530 whereby contributions are made by both the employees and the Branch. The fund is managed by an authorised fund manager and will be paid to the employees upon retirement or cessation of employment in accordance with the rules of the fund. For the year ended 31 December 2018, Baht 191 million (2017: Baht 189 million) has been contributed to the fund by the Branch which was presented in Statement of Comprehensive Income.

27. Deferred tax liabilities

	Net deferred tax asset/ (liability) at 1 January 2018 Thousand Baht	Credited/ (charged) to profit or loss Thousand Baht	Credited/ (charged) to Head Office's Equity Thousand Baht	Net deferred tax asset/ (liability) at 31 December 2018 Thousand Baht
For the year ended				
Revaluation of investment Insurance and investment liabilities	(21,759,754)	178,946	9,052,797	(12,528,011)
Provision of expenses	3,017,485	(294,394)	-	2,723,091
Other	2,892,158	(27,348)	(20,295)	2,844,515
	(2,357,553)	(100,718)	(204,925)	(2,663,196)
Total	(18,207,664)	(243,514)	8,827,577	(9,623,601)
(Restated)				
	Net deferred tax asset/ (liability) at 1 January 2017 Thousand Baht	Credited/ (charged) to profit or loss Thousand Baht	Credited/ (charged) to Head Office's Equity Thousand Baht	Net deferred tax asset/ (liability) at 31 December 2017 Thousand Baht
For the year ended				
Revaluation of investment Insurance and investment liabilities	(12,335,137)	35,428	(9,460,045)	(21,759,754)
Provision of expenses	3,441,228	(423,743)	-	3,017,485
Other	2,832,303	64,481	(4,626)	2,892,158
	(2,185,511)	(172,042)	-	(2,357,553)
Total	(8,247,117)	(495,876)	(9,464,671)	(18,207,664)

28. Other liabilities

	2018 Thousand Baht	2017 Thousand Baht
Accrued commissions and expenses	6,294,779	6,037,226
Payable for purchase of investments	110,145	694,608
Unpresented cheques payable	2,340,656	2,402,060
Expired cheques payable	2,246,375	2,385,253
Due commissions and expenses	655,950	737,107
Payable to related parties (Note 35 (b))	575,548	762,271
Agents payable	5,483,571	1,293,481
Cash collateral from derivative contract	5,698,259	4,817,774
Other accounts payable	996,030	272,921
Others	1,381,412	1,266,650
Total	25,782,725	20,669,351

Cash collateral from derivative contracts is cash collateral, which financial institutions have pledged under the derivative contracts with the Branch.

29. Gross benefits and claim paid

	2018	(Restated)
	Thousand	2017
	Baht	Thousand
	Baht	Baht
Insurance contract benefits	75,234,161	71,258,549
Change in investment contract liabilities	130,406	129,295
Total	<u>75,364,567</u>	<u>71,387,844</u>

30. Share-based compensation

As at 31 December 2018, the Branch has share-based compensation in accordance with Group policy using share price of AIA Group Limited which is ultimate holding company.

During the year 2018, there are 4 share-based compensation plans to employees and agents as detailed below:

Restricted Share Unit Scheme (RSU)

Under the RSU Scheme, the vesting of the granted RSUs is conditional upon the eligible participants remaining in employment with the AIA Group during the respective vesting periods. For certain RSUs, performance conditions are also attached which include both market and non-market conditions. RSUs subject to performance conditions are released to the employees at the end of vesting period depending on the actual achievement of the performance condition. During the vesting period, the eligible participants are not entitled to dividends of the underlying shares.

	2018	2017
	Number of	Number of
	shares	shares
As at 1 January	3,831,708	4,665,506
Granted	953,580	1,276,158
Vested	(1,200,286)	(1,497,143)
Transfer in (out)	96,890	(57,419)
Forfeited	(534,009)	(555,394)
As at 31 December	<u>3,147,883</u>	<u>3,831,708</u>

30. Share-based compensation (Cont'd)

Share Option Scheme (SO)

The objectives of the SO Scheme are to align eligible participants' interests with those of the shareholders of the AIA Group by allowing eligible participants to share in the value created at the point they exercise their options. Share option ('SO') grants are vested entirely after a specific period of time, during which, the eligible participants are required to remain in employment with the AIA Group. The granted share options expire ten years from the date of grant.

	2018		2017	
	Number of options	Weighted - average exercise price per share (HK\$)	Number of options	Weighted - average exercise price per share (HK\$)
As at 1 January	920,583	38.28	1,321,907	35.13
Granted	57,735	67.15	98,954	50.30
Exercised	(26,250)	28.40	(446,324)	30.89
Forfeited	(62,841)	47.55	(53,954)	44.15
As at 31 December	<u>889,227</u>	<u>39.79</u>	<u>920,583</u>	<u>38.28</u>

Employee share purchase plan (ESPP)

Under the plan, eligible employees of the Branch can purchase ordinary shares of the AIA Group with qualified employee contributions and the Branch will award one matching restricted stock purchase unit to them at the end of the vesting period for each two shares purchased through the qualified employee contributions ('contribution shares'). Contribution shares are purchased from the open market. During the vesting period, the eligible employees must hold the contribution shares purchased during the plan cycle and remain employed by the AIA Group.

For the year ended 31 December 2018, the eligible employees paid Baht 75 million to purchase 269,053 ordinary shares of the AIA Group (2017: paid Baht 63 million to purchase 247,081 ordinary shares of the AIA Group).

Agent Share Purchase Plan (ASPP)

The structure of ASPP generally follows that of ESPP, the key difference being that the eligible agents are required to pay a subscription price of US\$1 to subscribe for each new share in the AIA Group at the end of the vesting period. Under the plan, eligible agents of the Branch can purchase ordinary shares of the AIA Group with qualified agent contributions and the Branch will award one matching restricted stock subscription unit to them at the end of the vesting period for each two shares purchased through the qualified agent contributions (agent contribution shares). Each restricted stock subscription unit entitles eligible agents to subscribe for one new share of AIA Group. Agent contribution shares are purchased from the open market. During the vesting period, the eligible agents must hold the contribution shares purchased during the plan cycle and maintain their agent contracts with the AIA Group.

For the year ended 31 December 2018, the eligible agents paid Baht 164 million to purchase 590,751 ordinary shares of the AIA Group (2017: paid Baht 129 million to purchase 516,872 ordinary shares of the AIA Group).

30. Share-based compensation (Cont'd)

Accounting treatment and assumption for valuation of share-based payment

The Branch utilises a binomial lattice model to calculate the fair value of the share option grants, a Monte-Carlo simulation model and/or discounted cash flow technique to calculate the fair value of the RSU, SO, ESPP and ASPP awards. The Branch records in accordance with the Branch's allocation based on the Branch's employees and agents who are eligible in each plan. The total recognised compensation cost for the year ended 31 December 2018 amount of Baht 225 million (2017: Baht 257 million) and the other reserve in Head Office's equity as at 31 December 2018 amount of Baht 83 million (2017: Baht 91 million).

2018

Assumptions	Share option scheme	Restricted share unit scheme	Employee share purchase plan	Agent share purchase plan
Risk-free interest rate (%)	1.87	1.48	1.38 - 2.27	1.44
Volatility (%)	20.00	20.00	20.00	20.00
Dividend yield (%)	1.80	1.80	1.50 - 1.80	1.80
Weighted average fair value per option/unit at measurement date (HK\$)	13.68	57.54	60.10	54.00

2017

Assumptions	Share option scheme	Restricted share unit scheme	Employee share purchase plan	Agent share purchase plan
Risk-free interest rate (%)	1.90	1.29	0.90 - 1.29	1.25
Volatility (%)	20.00	20.00	20.00	20.00
Dividend yield (%)	1.80	1.80	1.80	1.80
Weighted average fair value per option/unit at measurement date (HK\$)	10.27	39.53	59.60	45.83

31. Operating expenses

	2018 Thousand Baht	2017 Thousand Baht
Employee expenses not relating to underwriting expenses, and loss adjusting expenses	3,239,506	3,290,868
Property and equipment expenses not relating to underwriting expenses, and loss adjusting expenses	1,951,126	1,619,521
Tax expenses	19,118	22,188
Other operating expenses	2,036,021	2,056,284
Total	7,245,771	6,988,861

32. Employee benefit expenses

	2018 Thousand Baht	2017 Thousand Baht
Salary, overtime and bonus	2,919,299	2,852,493
Provident fund	190,603	189,316
Provision for long-term employee benefits	136,532	167,727
Share-based payment	173,791	211,908
Other employee benefit expenses	265,846	304,051
Total employee benefit expenses	3,686,071	3,725,495

33. Income tax expense

	2018 Thousand Baht	(Restated) 2017 Thousand Baht
Income tax expense		
Current income tax on taxable profits for the year	5,262,933	4,593,816
Deferred income tax on temporary differences (Note 27)	243,514	495,876
Total income tax expense	5,506,447	5,089,692

Income tax rate used for 2018 is 20% (2017: 20%).

The effective tax rate for 2018 is 20% (2017: 19%). There was no significant transaction being income not subject to tax and expense not deductible for tax purpose.

34. Tax effect from other comprehensive income

	Unit: Thousand Baht					
	2018			2017		
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Unrealised gain (loss) from available-for-sale securities	(45,263,987)	9,052,797	(36,211,190)	47,300,224	(9,460,045)	37,840,179
Remeasurements of post- employment benefit obligations	101,476	(20,295)	81,181	23,129	(4,626)	18,503
Gains on revaluation of land and building	1,024,627	(204,925)	819,702	-	-	-
Total	(44,137,884)	8,827,577	(35,310,307)	47,323,353	(9,464,671)	37,858,682

35. Related party transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Branch, including holding companies and fellow subsidiaries are related parties of the Branch. Key management personnel including officers of the Branch and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

The following significant transactions were carried out with related parties and affiliated companies within AIA Group.

(a) Statements of comprehensive income

	2018 Thousand Baht	2017 Thousand Baht
<u>Head office</u>		
Operating expenses	690,523	705,233
<u>Affiliated companies</u>		
Premiums ceded to reinsurers	2,538,639	1,445,881
Fee and commission income	74,972	106,163
Net investment income	30,699	27,783
Other income	317	639
Benefit and claim paid recovered from reinsurers	1,588,984	575,405
Other underwriting expenses	29,641	30,316
Operating expenses	886,694	836,924

(b) Statement of financial positions

	2018 Thousand Baht	2017 Thousand Baht
<u>Head office</u>		
Profit remittances to Head Office	4,820,000	15,510,000
Other liabilities	421,731	673,413
<u>Affiliated companies</u>		
Reinsurance assets	33,166	31,494
Amount due from reinsurance	1,110	439
Investment in associates	171,500	171,500
Other assets	525,723	520,106
Amount due to reinsurance	77,670	82,336
Other liabilities	153,822	88,858

35. Related party transactions (Cont'd)

The following significant transactions were carried out with related parties and affiliated companies within AIA Group. (Cont'd)

(c) Key management compensations

Key management compensations are as follows:

	2018 Thousand Baht	2017 Thousand Baht
Salary and other short-term employee benefits	176,180	233,482
Severance payment	21,656	80,551
Post-employment benefits	39,764	22,641
Share-based payment	32,727	38,913
Total	<u>270,327</u>	<u>375,587</u>

36. Contingent liabilities and commitments

The Branch has payment obligations for operating leases for land and offices as follows:

	2018 Thousand Baht	2017 Thousand Baht
Not later than 1 year	284,661	248,329
Later than 1 year but not later than 5 years	289,592	198,519
Total	<u>574,253</u>	<u>446,848</u>

As at 31 December 2018, the Branch has contractual commitment from contracts for investment property projects with the amount at maximum of Baht 408 million (As at 31 December 2017: at maximum of Baht 292 million).

37. Events occurring after the reporting date

In January 2019, the Branch remitted profit to Head Office amounting to Baht 10,180 million.