

**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.....

Disclosed on.....29 November 2018.....

Information for the Quarter....3...Year...2018..

# CAPITAL ADEQUACY

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

The current and projected regulatory capital requirements are calculated based on Thailand's RBC regulations, which have been implemented in Thailand since 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.

In addition, the Company holds additional capital in the excess of the TCR to comply with its internal capital requirements. This ensures that the Company's CAR will remain higher than 140% even after a shock that is expected to occur at least every 1-in-10 years.

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

Unit: THB mil

Capital Items	Quarter 1		Quarter 2		Quarter 3	
	2018	2017	2018	2017	2018	2017
Capital Adequacy Ratio (%)	444	440	392	419	408	407
Total Capital Available	179,718	157,571	166,273	157,625	177,701	156,659
Total Capital Required	40,472	35,851	42,401	37,628	43,600	38,484

- 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 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
  - Quarter 2 is 6-month accumulated operating results and Quarter 3 is 9-month accumulated operating results.

# FINANCIAL STATEMENTS



**AIA COMPANY LIMITED**

**INTERIM FINANCIAL INFORMATION (UNAUDITED)**

**30 SEPTEMBER 2018**



## AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors of AIA Company Limited

I have reviewed the interim financial information of AIA Company Limited which comprises the statement of financial position as at 30 September 2018, the related statements of comprehensive income for the three-month and nine-month periods then ended, the related statements of changes in Head Office's equity and cash flows for the nine-month period then ended, and the condensed notes to the interim financial information. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

### Scope of review

I conducted my review in accordance with Thai Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

### Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard 34, "Interim Financial Reporting".

PricewaterhouseCoopers ABAS Ltd.

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

**Paiboon Tunkoon**

Certified Public Accountant (Thailand) No. 4298  
Bangkok  
9 November 2018

**AIA Company Limited**  
**Statement of Financial Position**  
**As at 30 September 2018**

		(Unaudited) 30 September 2018	(Audited) 31 December 2017
	Notes	Baht	Baht
<b>Assets</b>			
Cash and cash equivalents	7	3,946,444,988	2,766,275,305
Premium receivables	8	6,832,675,691	6,710,037,470
Accrued income on investments		8,851,696,172	5,639,984,254
Reinsurance assets	9, 27	139,440,000	131,831,788
Amount due from reinsurance	10, 27	344,982	11,455,664
Derivative assets	11	2,930,223,738	2,764,835,566
Invested assets			
Investment in securities, net	12	764,024,207,837	785,491,621,107
Investment in associate	13, 27	171,500,000	171,500,000
Loans, net	14	30,938,179,712	29,725,720,896
Investment property	15	9,784,291,825	8,895,401,062
Assets held to cover linked liabilities		20,170,323,872	15,112,004,256
Property, plant and equipment	16	880,940,798	674,418,808
Intangible assets	17	658,986,930	631,233,915
Other assets	18, 27	1,239,460,450	2,082,005,367
<b>Total assets</b>		<b>850,568,716,995</b>	<b>860,808,325,458</b>

Authorised signature \_\_\_\_\_

Date \_\_\_\_\_

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**AIA Company Limited**  
**Statement of Financial Position (Cont'd)**  
**As at 30 September 2018**

		(Unaudited) 30 September 2018 Baht	(Audited) 31 December 2017 Baht
	Notes		
<b>Liabilities and Head Office's Equity</b>			
<b>Liabilities</b>			
Borrowings	19	-	15,400,000,000
Insurance liabilities	20	670,419,741,194	642,286,201,062
Investment liabilities	21	2,077,254,307	2,996,649,906
Amount due to reinsurance	22, 27	394,692,666	207,183,555
Derivative liabilities	11	770,738,198	1,282,922,010
Income tax payable		1,959,575,243	2,490,111,030
Employee benefit liabilities		3,248,786,450	3,366,751,015
Deferred tax liabilities	23	9,662,456,374	17,043,917,249
Other liabilities	24, 27	23,481,507,685	20,669,351,318
<b>Total liabilities</b>		<b>712,014,752,117</b>	<b>705,743,087,145</b>
<b>Head Office's Equity</b>			
Unrealised gains on changes in fair value of investments, net of tax		59,624,195,355	89,210,030,072
Remeasurements of post-employment benefit obligations, net of tax		(1,181,596,528)	(1,181,596,528)
Other reserve		72,725,377	91,151,725
Branch's retained earnings			
Unappropriated		80,038,640,674	66,945,653,044
<b>Total Head Office's Equity</b>		<b>138,553,964,878</b>	<b>155,065,238,313</b>
<b>Total liabilities and Head Office's Equity</b>		<b>850,568,716,995</b>	<b>860,808,325,458</b>

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**AIA Company Limited**  
**Statement of Comprehensive Income (Unaudited)**  
**For the three-month period ended 30 September 2018**

			(Restated)
		2018	2017
	Notes	Baht	Baht
<b>Revenues</b>			
Gross written premiums		30,104,495,524	29,490,418,697
<u>Less</u> premiums ceded to insurers	27	<u>(860,910,264)</u>	<u>(553,060,421)</u>
Net written premiums		29,243,585,260	28,937,358,276
<u>Less</u> net change in unearned premium reserve		<u>(170,334,050)</u>	<u>(163,557,241)</u>
Net earned premiums		29,073,251,210	28,773,801,035
Fee and commission income	27	130,581,572	101,533,816
Net investment income	27	8,384,564,620	8,404,639,511
Gains on investment		2,563,691,606	2,000,420,555
Fair value losses		(278,937,385)	(128,152,133)
Other income	27	<u>46,287,800</u>	<u>30,643,061</u>
Total revenues		<u>39,919,439,423</u>	<u>39,182,885,845</u>
<b>Expenses</b>			
Change in long-term technical reserve		7,327,703,118	7,222,721,945
Gross benefits and claim paid	25	17,999,195,913	17,461,917,469
<u>Less</u> benefits and claim paid recovered from reinsurers	27	<u>(519,796,957)</u>	<u>(227,825,781)</u>
Net benefits and claim paid		17,479,398,956	17,234,091,688
Commissions and brokerages		3,419,632,935	3,368,788,310
Other underwriting expenses	27	3,525,119,248	3,755,544,380
Operating expenses	26, 27	2,098,162,805	1,556,865,805
Finance cost		<u>32,853,263</u>	<u>66,267,123</u>
Total expenses		<u>33,882,870,325</u>	<u>33,204,279,251</u>
<b>Profit before income tax</b>		6,036,569,098	5,978,606,594
Income tax expenses		<u>1,200,693,328</u>	<u>1,170,834,930</u>
<b>Net profit</b>		<u>4,835,875,770</u>	<u>4,807,771,664</u>

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.



**AIA Company Limited**  
**Statement of Comprehensive Income (Unaudited) (Cont'd)**  
**For the three-month period ended 30 September 2018**

---

	2018	(Restated) 2017
	Baht	Baht
<b>Other comprehensive income (loss)</b>		
<u>Items that will be reclassified subsequently to profit or loss</u>		
Change in value of available-for-sale investments	6,172,661,115	17,509,500,267
Realised gain from sale of available-for-sale investment and impairment loss transferred to profit or loss	(2,564,325,977)	(2,000,403,336)
Income tax relating to items that will be reclassified subsequently to profit or loss	<u>(721,667,028)</u>	<u>(3,101,819,387)</u>
Total items that will be reclassified subsequently to profit or loss	<u>2,886,668,110</u>	<u>12,407,277,544</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>2,886,668,110</u>	<u>12,407,277,544</u>
<b>Total comprehensive income for the period</b>	<u><u>7,722,543,880</u></u>	<u><u>17,215,049,208</u></u>

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**AIA Company Limited**  
**Statement of Comprehensive Income (Unaudited)**  
**For the nine-month period ended 30 September 2018**

			(Restated)
		2018	2017
	Notes	Baht	Baht
<b>Revenues</b>			
Gross written premiums		87,397,576,963	84,923,315,843
<u>Less</u> premiums ceded to insurers	27	<u>(2,558,167,749)</u>	<u>(1,272,769,451)</u>
Net written premiums		84,839,409,214	83,650,546,392
<u>Less</u> net change in unearned premium reserve		<u>(300,884,082)</u>	<u>(65,281,203)</u>
Net earned premiums		84,538,525,132	83,585,265,189
Fee and commission income	27	363,444,431	323,830,862
Net investment income	27	24,986,273,328	24,550,832,151
Gains on investment		9,650,424,681	4,981,550,625
Fair value losses		(10,524,563)	(193,343,409)
Other income	27	<u>81,300,135</u>	<u>68,868,823</u>
Total revenues		<u>119,609,443,144</u>	<u>113,317,004,241</u>
<b>Expenses</b>			
Change in long-term technical reserve		19,434,774,501	18,789,132,332
Gross benefits and claim paid	25	53,165,956,235	50,675,135,820
<u>Less</u> benefits and claim paid recovered from reinsurers	27	<u>(1,528,688,939)</u>	<u>(517,878,411)</u>
Net benefits and claim paid		51,637,267,296	50,157,257,409
Commissions and brokerages		9,850,610,991	9,463,565,962
Other underwriting expenses	27	10,806,218,153	10,352,166,676
Operating expenses	26, 27	5,446,854,613	4,859,595,995
Finance cost		<u>80,440,921</u>	<u>198,183,663</u>
Total expenses		<u>97,256,166,475</u>	<u>93,819,902,037</u>
<b>Profit before income tax</b>		22,353,276,669	19,497,102,204
Income tax expenses		<u>4,440,289,039</u>	<u>3,816,132,003</u>
<b>Net profit</b>		<u>17,912,987,630</u>	<u>15,680,970,201</u>

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**AIA Company Limited**  
**Statement of Comprehensive Income (Unaudited) (Cont'd)**  
**For the nine-month period ended 30 September 2018**

---

		(Restated)
	2018	2017
Note	Baht	Baht
<b>Other comprehensive income (loss)</b>		
<u>Items that will be reclassified subsequently to profit or loss</u>		
Change in value of available-for-sale investments	(27,324,388,104)	46,223,360,778
Realised gain from sale of available-for-sale investment and impairment loss transferred to profit or loss	(9,657,905,292)	(4,975,711,255)
Income tax relating to items that will be reclassified subsequently to profit or loss	23      7,396,458,679	(8,249,529,905)
Total items that will be reclassified subsequently to profit or loss	(29,585,834,717)	32,998,119,618
<b>Other comprehensive income (loss) for the period, net of tax</b>	(29,585,834,717)	32,998,119,618
<b>Total comprehensive income (loss) for the period</b>	(11,672,847,087)	48,679,089,819

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**AIA Company Limited**  
**Statement of Changes in Head Office's Equity (Unaudited)**  
**For the nine-month period ended 30 September 2018**

	Unrealised gains		Remeasurements		Unappropriated		Total	
	on changes		of post-employment		Branch's		Head Office's	
	in fair value of		benefit obligations,		retained		Equity	
	investments, net of tax		net of tax		earnings		Baht	
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
<b>Beginning balance as at 1 January 2018</b>								
Profit remittances to Head Office	-	89,210,030,072	(1,181,596,528)		91,151,725	66,945,653,044	155,065,238,313	
Employee benefits on share-based payment	-	-	-	-	-	(4,820,000,000)	(4,820,000,000)	
Net profit	-	-	-	(18,426,348)	-	-	(18,426,348)	
Unrealised loss on changes in fair value of investments	-	(21,859,510,483)	-	-	-	17,912,987,630	17,912,987,630	
Realised gain from sale of available-for-sale investment	-		-	-	-	-	(21,859,510,483)	
and impairment loss transferred to profit or loss	-	(7,726,324,234)	-	-	-	-	(7,726,324,234)	
<b>Ending balance as at 30 September 2018</b>	-	59,624,195,355	(1,181,596,528)		72,725,377	80,038,640,674	138,553,964,878	
<b>Beginning balance as at 1 January 2017</b>								
Profit remittances to Head Office	-	51,369,851,013	(1,200,100,041)		75,298,475	61,834,094,197	112,079,143,644	
Employee benefits on share-based payment	-	-	-	-	-	(15,510,000,000)	(15,510,000,000)	
Net profit (Note 6)	-	-	-	-	4,771,149	-	4,771,149	
Unrealised gains on changes in fair value of investments	-	-	-	-	-	15,680,970,201	15,680,970,201	
Realised gain from sale of available-for-sale investment	-	36,978,688,622	-	-	-	-	36,978,688,622	
and impairment loss transferred to profit or loss	-	(3,980,569,004)	-	-	-	-	(3,980,569,004)	
<b>Ending balance as at 30 September 2017</b>	-	84,367,970,631	(1,200,100,041)		80,069,624	62,005,064,398	145,253,004,612	

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**AIA Company Limited**  
**Statement of Cash Flows (Unaudited)**  
**For the nine-month period ended 30 September 2018**

		(Reclassified)
	2018	2017
	Baht	Baht
Notes		
<b>Cash flows provided by (used in) operating activities</b>		
Written premium received from direct insurance	88,981,115,009	83,649,895,368
Fee income	132,404,580	123,959,911
Cash paid for reinsurance	(710,548,688)	(423,554,021)
Interest income	18,969,090,300	19,400,680,642
Dividend income	3,163,268,410	3,215,826,546
Investment expenses	(680,294,455)	(822,403,935)
Cash received from (paid for) settlement of derivatives	69,655,354	(674,036,298)
Rental income	711,889,885	628,509,776
Other income	62,764,224	76,566,218
Gross benefits and claim paid from direct insurance	(48,361,323,701)	(45,178,736,018)
Commissions and brokerages	(9,852,060,668)	(9,449,260,271)
Other underwriting expenses	(8,857,026,491)	(9,168,844,852)
Operating expenses	(5,796,190,375)	(4,746,103,325)
Income tax expense	(4,955,827,022)	(2,779,064,278)
Cash received from investment in securities	91,478,516,972	80,059,067,037
Cash paid for investment in securities	(95,433,149,820)	(91,707,398,985)
Cash paid for investment property	15 (1,027,458,425)	(53,777,123)
Cash received from loans repayment	4,161,703,446	3,922,118,991
Cash paid for loans drawdown	(5,458,025,389)	(5,119,367,980)
Cash received from assets held to cover linked liabilities	3,864,266,306	2,583,974,274
Cash paid for assets held to cover linked liabilities	(8,472,089,761)	(4,758,711,448)
Net cash provided by operating activities	21,990,679,691	18,779,340,229
<b>Cash flows provided by (used in) investing activities</b>		
<u>Cash flows provided by:</u>		
Properties and equipment	175,000	955,350
Net cash provided by investing activities	175,000	955,350
<u>Cash flows used in:</u>		
Properties and equipment	16 (337,739,929)	(119,906,468)
Intangible assets	17 (151,887,829)	(94,862,598)
Net cash used in investing activities	(489,627,758)	(214,769,066)
Net cash used in investing activities	(489,452,758)	(213,813,716)

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**AIA Company Limited**  
**Statement of Cash Flows (Unaudited) (Cont'd)**  
**For the nine-month period ended 30 September 2018**

	2018	(Reclassified) 2017
	Baht	Baht
<b>Cash flows provided by (used in) financing activities</b>		
<u>Cash flows used in:</u>		
Remittances to Head Office	(4,820,000,000)	(15,510,000,000)
Principal repayment of borrowing	(15,400,000,000)	(4,250,000,000)
Finance cost	(101,057,250)	(211,039,200)
	<u>(20,321,057,250)</u>	<u>(19,971,039,200)</u>
Net cash used in financing activities	<u>(20,321,057,250)</u>	<u>(19,971,039,200)</u>
Net cash used in financing activities	<u>(20,321,057,250)</u>	<u>(19,971,039,200)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	1,180,169,683	(1,405,512,687)
Cash and cash equivalents at beginning of period	<u>2,766,275,305</u>	<u>2,888,842,686</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>3,946,444,988</u></u>	<u><u>1,483,329,999</u></u>

The accompanying condensed notes to interim financial information are an integral part of these interim financial information.

**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.

This interim financial information has been approved by the Branch's management on 9 November 2018.

This interim financial information has been reviewed, not audited.

**2. Basis of preparation**

The interim financial information has been prepared in accordance with Thai Accounting Standard 34 Interim Financial Reporting. The primary financial information (statement of financial position, statement of comprehensive income, statement of changes in Head Office's equity and cash flows) is presented in a format consistent with the annual financial statements complying with Thai Accounting Standard 1 Presentation of Financial Statements. In addition, the interim financial information presentation is based on the formats of life insurance interim financial information 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 notes to the interim financial information are prepared in a condensed format. Additional notes are presented as required by the aforementioned OIC Notification.

The interim financial information should be read together with the annual financial statements for the year ended 31 December 2017.

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

Income taxes in the interim periods are accrued by using the expected income taxes in the interim period.

### **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 management assesses that these standards do not have a significant impact on the Branch's financial information.

3.1.2 New 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	Revenue from contracts with customers
---------	---------------------------------------

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
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
TSIC 31 (revised 2017)	Revenue - barter transactions involving advertising services



**3. Accounting policies (Cont'd)**

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

**3.1.2 New 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 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
- an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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

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 will first apply this standard for annual reporting periods beginning on or after 1 January 2019. The management assesses that this new standard will not have a significant impact on the Branch.

**3.1.2.2 The group of financial reporting standards relating to financial instruments are effective for annual periods beginning on or after 1 January 2020 which are relevant to the Branch. The Branch has not yet adopted those standards.**

The group of financial instruments reporting standards consist of the following 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

**3. Accounting policies (Cont'd)**

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

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

**3.1.2.2 The group of financial reporting standards relating to financial instruments are effective for annual periods beginning on or after 1 January 2020 which are relevant to the Branch. The Branch has not yet adopted those standards. (Cont'd)**

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

TAS 32 Financial Instruments: Presentation, provides the requirements for the presentation financial instruments as liabilities or 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 an entity's financial position and performance, and to understand the nature and extent of risks arising from those financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity 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 financial reporting standards which have been announced but not yet effective. (Cont'd)**

**3.1.2.2 The group of financial reporting standards relating to financial instruments are effective for annual periods beginning on or after 1 January 2020 which are relevant to the Branch. 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 entity 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 an entity'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 entity issues equity instruments to a creditor to extinguish all or part of a financial liability. The equity 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.

#### **4. Estimates**

The preparation of interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies lead to the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Branch's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2017.

#### **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 financial assets that are measured and recognised at fair value as at 30 September 2018 and 31 December 2017.

	<b>Level 1 Thousand Baht</b>	<b>Level 2 Thousand Baht</b>	<b>Level 3 Thousand Baht</b>	<b>Total Thousand Baht</b>
<b>As at 30 September 2018 (Unaudited)</b>				
<b>Assets</b>				
Investment in securities				
Trading securities	1,600	-	-	1,600
Available-for-sale securities				
Debt securities	-	594,529,265	-	594,529,265
Equity securities	111,779,743	967,697	13,104	112,760,544
Assets held to cover linked liabilities	20,170,324	-	-	20,170,324
<b>Total assets</b>	<b>131,951,667</b>	<b>595,496,962</b>	<b>13,104</b>	<b>727,461,733</b>
<b>As at 31 December 2017 (Audited)</b>				
<b>Assets</b>				
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
<b>Total assets</b>	<b>135,486,675</b>	<b>608,362,611</b>	<b>22,254</b>	<b>743,871,540</b>

The Branch has no significant transfer between levels during the period.

**5. Fair value (Cont'd)**

**5.2 Valuation techniques used to derive Level 1 fair values**

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 markets and asset management companies. These instruments are included in Level 1.

**5.3 Valuation techniques used to derive Level 2 fair values**

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 periods.

**5.4 Fair value measurement using significant unobservable inputs (Level 3)**

The following table presents the changes in Level 3 financial instruments for the period ended 30 September 2018 and for the year ended 31 December 2017.

	<b>(Unaudited)</b> <b>Available-for-sale</b> <b>equity security</b> <b>30 September</b> <b>2018</b> <b>Thousand</b> <b>Baht</b>	<b>(Audited)</b> <b>Available-for-sale</b> <b>equity security</b> <b>31 December</b> <b>2017</b> <b>Thousand</b> <b>Baht</b>
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 gain (loss) on change in value of available-for-sale investment	(1,904)	(1,263)
Closing balance	<u>13,104</u>	<u>22,254</u>

**5. Fair value (Cont'd)**

**5.4 Fair value measurement using significant unobservable inputs (Level 3) (Cont'd)**

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.

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 periods.

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.

Changes in level (if any) are analysed at the reporting date by management.

**6. Change in accounting policies and presentation**

**Change in accounting policies**

On 1 January 2017, the Branch has adopted the basis of incurred but not reported reserve (IBNR) to refine the measurement of the Branch's liabilities by applying retrospective adjustments. The effects of the change to the Branch's statement of comprehensive income for the three-month and nine-month periods ended 30 September 2017 are as follows:

Statement of comprehensive income

- Gross benefits and claim paid for the three-month and nine-month periods ended 30 September 2017 increased by Baht 43 million and decreased by Baht 118 million, respectively.
- Benefits and claim paid recovered from reinsurers for the three-month and nine-month periods ended 30 September 2017 decreased by Baht 3 million and Baht 2 million, respectively.
- Income tax expense for the three-month and nine-month periods ended 30 September 2017 decreased by Baht 9 million and increased by Baht 23 million, respectively.
- Net profit for the three-month and nine-month periods ended 30 September 2017 decreased by Baht 37 million and increased by Baht 93 million, respectively.

**Change in presentation**

For disclosure purpose, the comparative figures are reclassified and presented to conform to the current period financial information. Significant reclassification transactions are as follows:

Statement of comprehensive income

Change in unearned premium reserve for the three-month and nine-month periods ended 30 September 2017 amounting to Baht 1 million and Baht 1 million, respectively, are reclassified to present under benefit and claim paid recovered from reinsurers.

**7. Cash and cash equivalents**

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Cash on hand	1,557	1,517
Deposits held at call with banks and financial institutions	1,844,728	2,414,758
Short-term investments	2,100,160	350,000
Cash and cash equivalents	<u>3,946,445</u>	<u>2,766,275</u>

**8. Premium receivables**

The balances of premium receivables are aged as follows:

	From direct insurance (Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Current	5,959,586	5,332,074
Overdue		
Not over 30 days	850,234	1,347,939
31 - 60 days	8,756	16,061
61 - 90 days	5,878	7,404
Over 90 days	8,222	6,559
Total premium receivables	<u>6,832,676</u>	<u>6,710,037</u>

The premium receivables are aged by related legal grace period or credit terms.

**9. Reinsurance assets**

The details of reinsurance assets are as follows:

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Claim reserve (Note 27 (b))	34,532	26,434
Claim incurred but not reported	10,311	10,811
Unearned premium reserve	90,136	87,316
Others (Note 27 (b))	4,461	7,271
Total reinsurance assets	<u>139,440</u>	<u>131,832</u>

**10. Amounts due from reinsurance**

The details of amounts due from reinsurance are as follows:

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Due from reinsurance (Note 27 (b))	345	11,456
Total amount due from reinsurance	345	11,456

**11. Derivative assets and liabilities**

All derivatives are for the purpose of hedging activities.

The details of derivative assets are as below:

30 September 2018 (Unaudited)				
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	224	71,150,774	2,930,224
Interest rate swap contracts	Closing position of floating interest rate	286	-	-
Total		510	71,150,774	2,930,224
31 December 2017 (Audited)				
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 contracts	Closing position of floating interest rate	201	-	-
Total		417	66,715,811	2,764,836



**11. Derivative assets and liabilities (Cont'd)**

The details of derivative liabilities are as below:

<b>30 September 2018 (Unaudited)</b>				
<b>Type of contract</b>	<b>Purpose</b>	<b>Number of contracts</b>	<b>Notional value Thousand Baht</b>	<b>Book value Thousand Baht</b>
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	99	30,963,960	770,738
Total		99	30,963,960	770,738

  

<b>31 December 2017 (Audited)</b>				
<b>Type of contract</b>	<b>Purpose</b>	<b>Number of contracts</b>	<b>Notional value Thousand Baht</b>	<b>Book value Thousand Baht</b>
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 30 September 2018, the Branch 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 3,059 million and Euro 7 million (As at 31 December 2017: U.S. Dollar 3,078 million and Euro 1 million) which comprised of effective contracts of U.S. Dollar 2,943 million and Euro 6 million and non-effective contracts of U.S. Dollar 116 million and Euro 1 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).

**12. Investment in securities, net**

The details of investment in securities are as follows:

	<b>(Unaudited)</b> <b>30 September 2018</b>		<b>(Audited)</b> <b>31 December 2017</b>	
	<b>Cost/ Amortised cost Thousand Baht</b>	<b>Fair value Thousand Baht</b>	<b>Cost/ Amortised cost Thousand Baht</b>	<b>Fair value Thousand Baht</b>
<u>Trading securities</u>				
Private enterprise debt securities	573	1,600	424	1,417
Total	573	1,600	424	1,417
Add Unrealised gain	1,027	-	993	-
Total trading securities	1,600	1,600	1,417	1,417
<u>Available-for-sale securities</u>				
Government and state enterprise securities	427,774,368	440,022,202	422,297,137	456,569,847
Private enterprise debt securities	56,441,593	57,750,799	47,116,475	49,949,594
Foreign debt securities	99,535,769	96,756,264	96,308,322	100,933,854
Equity securities	67,615,705	112,760,544	70,953,577	121,297,578
Foreign equity securities	-	-	27,984	7,246
Total	651,367,435	707,289,809	636,703,495	728,758,119
Add Unrealised gain	56,611,925	-	92,391,335	-
Less Provision for impairment	(689,551)	-	(336,711)	-
Total available-for-sale, net	707,289,809	707,289,809	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	4,004,323	932,085	3,632,352
Total general investment	932,799	4,004,323	932,085	3,632,352
Total investment in securities, net	764,024,208	767,095,732	785,491,621	788,191,888

As at 30 September 2018, the Branch had investment in securities deposited with the Office of Insurance Commission in order to comply with the Life Insurance Act with a fair value amounting to Baht 154,191 million (As at 31 December 2017: Baht 155,349 million).

**12. Investment in securities, net (Con't)**

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 30 September 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 18,150 million (Baht 14,520 million, net of tax) and the amortised cost of the transferred debt securities equaled to Baht 125,844 million. For the period ended 30 September 2018, the realised gain from partial sale of reclassified debt securities is Baht 376 million.

**13. Investment in associate**

The Branch has interests in an immaterial associate.

Investment in associate is accounted by using the cost method as follows:

		Ownership interest		Cost method	
		(Unaudited) 30 September 2018 %	(Audited) 31 December 2017 %	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Associates	Type of business				
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 investment in associate is accounted for using the equity method because the ultimate holding company (AIA Group) already uses the equity method in the consolidated financial statements which are made available for public use. This is permitted under TAS 28 (revised 2017) "Investment in Associates and Joint Ventures".

**AIA Company Limited**  
**Condensed Notes to the Interim Financial Information (Unaudited)**  
**For the interim period ended 30 September 2018**

**14. Loans, net**

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

	30 September 2018 (Unaudited)						Unit : Thousand Baht	
	Policy loans		Mortgage loans		Loans to employees		Total	
	Principle	Accrued Interest	Principle	Accrued Interest	Principle	Accrued Interest	Principle	Accrued Interest
<b>Outstanding period</b>								
Current	29,435,049	996,831	1,461,966	892	34	-	30,897,049	997,723
Overdue								
Less than 3 months	-	-	18,270	168	-	-	18,270	168
3 - 6 months	-	-	-	-	-	-	-	-
6 - 12 months	-	-	-	-	-	-	-	-
More than 12 months	-	-	42,464	-	-	-	42,464	-
<b>Total</b>	29,435,049	996,831	1,522,700	1,060	34	-	30,957,783	997,891
<b>Less Allowance for doubtful accounts</b>	-	-	(19,603)	-	-	-	(19,603)	-
<b>Loans and accrued interests, net</b>	29,435,049	996,831	1,503,097	1,060	34	-	30,938,180	997,891

	31 December 2017 (Audited)						Unit : Thousand Baht	
	Policy loans		Mortgage loans		Loans to employees		Total	
	Principle	Accrued interest	Principle	Accrued interest	Principle	Accrued interest	Principle	Accrued interest
<b>Outstanding period</b>								
Current	28,194,458	822,327	1,498,156	1,098	168	-	29,692,782	823,425
Overdue								
Less than 3 months	-	-	7,333	36	-	-	7,333	36
3 - 6 months	-	-	-	-	-	-	-	-
6 - 12 months	-	-	361	-	-	-	361	-
More than 12 months	-	-	49,197	-	-	-	49,197	-
<b>Total</b>	28,194,458	822,327	1,555,047	1,134	168	-	29,749,673	823,461
<b>Less Allowance for doubtful accounts</b>	-	-	(23,952)	-	-	-	(23,952)	-
<b>Loans and accrued interests, net</b>	28,194,458	822,327	1,531,095	1,134	168	-	29,725,721	823,461

Accrued interests are presented under "Accrued income on investments" in the Statement of Financial Position.

**AIA Company Limited**  
**Condensed Notes to the Interim Financial Information (Unaudited)**  
**For the interim period ended 30 September 2018**

**15. Investment property**

	30 September 2018 (Unaudited)					Unit : Thousand Baht	
	Cost		Accumulated depreciation			Investment property	
	Beginning balance 1 January 2018	For the period Additions Transfers	Ending balance 30 September 2018	Beginning balance 1 January 2018	For the period Depreciation charge	Ending balance 30 September 2018	
Land	3,143,285	1,020,235	4,163,520	-	-	-	4,163,520
Buildings and improvements	6,029,604	2,516	6,036,828	487,911	118,703	606,614	5,430,214
Furniture, fixture, and equipment	224,464	-	224,464	48,946	19,864	68,810	155,654
Construction in progress	34,905	4,707 (4,708)	34,904	-	-	-	34,904
<b>Total</b>	<b>9,432,258</b>	<b>1,027,458</b>	<b>10,459,716</b>	<b>536,857</b>	<b>138,567</b>	<b>675,424</b>	<b>9,784,292</b>

	31 December 2017 (Audited)					Unit : Thousand Baht	
	Cost		Accumulated depreciation			Investment Property	
	Beginning balance 1 January 2017	For the year Additions Transfers	Ending balance 31 December 2017	Beginning balance 1 January 2017	For the year Depreciation charge	Ending balance 31 December 2017	
Land	3,143,285	-	3,143,285	-	-	-	3,143,285
Buildings and improvements	5,998,203	31,401	6,029,604	331,765	156,146	487,911	5,541,693
Furniture, fixture, and equipment	210,021	180	224,464	23,256	25,690	48,946	175,518
Construction in progress	10,482	38,686 (14,263)	34,905	-	-	-	34,905
<b>Total</b>	<b>9,361,991</b>	<b>70,267</b>	<b>9,432,258</b>	<b>355,021</b>	<b>181,836</b>	<b>536,857</b>	<b>8,895,401</b>

For the three-month and nine-month periods ended 30 September 2018, the investment property generated rental income amounting to Baht 235 million and Baht 684 million, respectively (30 September 2017: Baht 209 million and Baht 591 million, respectively) and its direct operating expenses (including repair and maintenance) arise from investment property that generated rental income amounting to Baht 114 million and Baht 346 million, respectively (30 September 2017: Baht 119 million and Baht 334 million, respectively).

**AIA Company Limited**  
**Condensed Notes to the Interim Financial Information (Unaudited)**  
**For the interim period ended 30 September 2018**

**16. Property, plant and equipment**

	30 September 2018 (Unaudited)						Unit : Thousand Baht		
	Cost			Accumulated depreciation			Property, plant and equipment		
	For the period			For the period					
	Beginning balance 1 January 2018	Additions	Write-offs	Disposals	Transfers	Ending balance 30 September 2018		Ending balance 30 September 2018	
Land	52,637	-	-	-	-	52,637	-	-	52,637
Buildings and improvements	700,050	-	-	-	-	700,050	612,879	5,635	81,536
Furniture, fixtures and equipment	2,020,953	17,639	(20,936)	(28,586)	8,012	1,997,082	1,582,609	90,358	372,572
Computer hardware	863,066	75,077	(4,158)	-	-	933,985	791,399	31,468	115,276
Motor vehicles	40,010	-	-	-	-	40,010	29,361	2,692	7,957
Construction in progress	13,951	245,024	-	-	(8,012)	250,963	-	-	250,963
Total	3,690,667	337,740	(25,094)	(28,586)	-	3,974,727	3,016,248	130,153	880,941

	31 December 2017 (Audited)						Unit : Thousand Baht		
	Cost			Accumulated depreciation			Property, plant and equipment		
	For the year			For the year					
	Beginning balance 1 January 2017	Additions	Write-offs	Disposals	Transfers	Ending balance 31 December 2017		Ending balance 31 December 2017	
Land	52,637	-	-	-	-	52,637	-	-	52,637
Buildings and improvements	700,050	-	-	-	-	700,050	605,502	7,377	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	438,344
Computer hardware	819,109	58,992	(2,833)	(12,202)	-	863,066	779,303	27,131	71,667
Motor vehicles	36,151	3,859	-	-	-	40,010	24,501	4,860	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	674,419

AIA Company Limited  
Condensed Notes to the Interim Financial Information (Unaudited)  
For the interim period ended 30 September 2018

17. Intangible assets

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

	30 September 2018 (Unaudited)						Unit : Thousand Baht
	Cost			Accumulated amortisation			
	For the period		Ending balance	For the period		Ending balance	
	Beginning balance 1 January 2018	Adjustments	30 September 2018	Beginning balance 1 January 2018	Amortisation charge	30 September 2018	Intangible assets
		Write-offs				Write-offs	
Computer software	1,429,806	70,751	-	1,048,734	94,376	(225,239)	357,442
Others	72,671	-	-	60,921	9,250	-	2,500
Work in progress	238,412	81,137	(20,504)	-	-	-	299,045
Total	1,740,889	151,888	(20,504)	1,109,655	103,626	(225,239)	658,987

	31 December 2017 (Audited)					Unit : Thousand Baht	
	Cost		Accumulated amortisation				
	For the year		Beginning balance 1 January 2017	Ending balance 31 December 2017	For the year	Ending balance 31 December 2017	
	Beginning balance 1 January 2017	Additions	Transfers		Amortisation charge	Intangible assets	
Computer software	1,245,842	74,276	109,688	1,429,806	101,812	381,072	
Others	72,671	-	-	72,671	13,166	11,750	
Work in progress	204,149	143,951	(109,688)	238,412	-	238,412	
Total	1,522,662	218,227	-	1,740,889	114,978	631,234	

**18. Other assets**

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Prepaid leasehold (Note 27 (b))	356,385	377,315
Deposits (Note 27 (b))	153,022	151,596
Amounts due from a related party (Note 27 (b))	75,071	70,010
Receivable from sale of investments	409,058	1,255,761
Cash collateral from derivative contracts and repurchase agreements (Repo)	15,600	7,378
Others	230,324	219,945
<b>Total</b>	<b>1,239,460</b>	<b>2,082,005</b>

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

**19. Borrowings**

The details of borrowings are presented below:

Short-term borrowings

	<b>(Unaudited) 30 September 2018</b>		<b>(Audited) 31 December 2017</b>	
	<b>Principal Thousand Baht</b>	<b>Accrued interest Thousand Baht</b>	<b>Principal Thousand Baht</b>	<b>Accrued interest Thousand Baht</b>
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. Certain government bonds have nominal value amounting to Baht 13,365 million. The interest rate of the borrowing agreement was 1.5% per annum.

Accrued interests are presented under "Other liabilities" in the Statement of Financial Position.



**AIA Company Limited**  
**Condensed Notes to the Interim Financial Information (Unaudited)**  
**For the interim period ended 30 September 2018**

**20. Insurance liabilities**

	30 September 2018 (Unaudited)			31 December 2017 (Audited)		
	Insurance contract liabilities	Liabilities recovered from reinsurance	Net	Insurance contract liabilities	Liabilities recovered from reinsurance	Net
Long-term technical reserves	566,042,675	-	566,042,675	546,607,901	-	546,607,901
Claim liability						
- Reported claim	1,671,877	(38,993)	1,632,884	1,369,961	(33,705)	1,336,256
- Claim incurred but not reported	659,701	(10,311)	649,390	626,543	(10,811)	615,732
Premium liability						
- Unearned premium reserve	13,492,062	(90,136)	13,401,926	13,191,178	(87,316)	13,103,862
Unpaid policy benefits	479,830	-	479,830	583,128	-	583,128
Due to insured	88,073,596	-	88,073,596	79,907,490	-	79,907,490
<b>Total</b>	<b>670,419,741</b>	<b>(139,440)</b>	<b>670,280,301</b>	<b>642,286,201</b>	<b>(131,832)</b>	<b>642,154,369</b>

**20. Insurance liabilities (Cont'd)**

**20.1 Long-term technical reserves**

The movement details are below:

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Beginning balance for the period/year	546,607,901	518,685,747
Policy reserve movement for new policies and inforce policies during the period/year	48,721,216	69,129,084
Net movement in benefits payable to life policyholders for death, maturity, surrenders, other policyholders benefits and claims	(29,301,187)	(41,674,557)
Others	14,745	467,627
Closing balance at the end of period/year	<u>566,042,675</u>	<u>546,607,901</u>

**20.2 Short-term technical reserves**

**20.2.1 Claim liability**

The movement details are below:

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Beginning balance for the period/year	1,996,504	2,211,418
Insurance claims and loss adjustment expenses incurred during the period/year	13,239,126	14,892,811
Changes in claim reserve from change In assumption during the period/year	33,158	(310,885)
Insurance claims and loss adjustment expenses paid during the period/year	(12,937,210)	(14,796,840)
Closing balance at the end of period/year	<u>2,331,578</u>	<u>1,996,504</u>

**20.2.2 Unearned premium reserve**

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Beginning balance for the period/year	13,191,178	12,829,958
Premium written for the period/year	23,792,706	31,381,548
Premium earned in the period/year	(23,491,822)	(31,020,328)
Closing balance at the end of period/year	<u>13,492,062</u>	<u>13,191,178</u>

**20. Insurance liabilities (Cont'd)**

**20.3 Unpaid policy benefits**

The details are as below:

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Death benefits	479,830	583,128
Total	<u>479,830</u>	<u>583,128</u>

**20.4 Due to insured**

The details of due to insured are presented below:

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Deposits from insurance contracts	57,135,139	54,084,240
Account value of universal life insurance contracts	10,768,133	10,711,246
Account value of unit linked insurance contracts	20,170,324	15,112,004
Total	<u>88,073,596</u>	<u>79,907,490</u>

**21. Investment liabilities**

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Beginning balance for the period/year	2,996,650	3,068,251
Investment contract benefits	(1,029,265)	(200,896)
Change in investment contract liabilities	109,869	129,295
Closing balance at the end of period/year	<u>2,077,254</u>	<u>2,996,650</u>

22. Amounts due to reinsurance

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Fund reserve	8,716	8,458
Outward premium payable (Note 27 (b))	385,977	198,726
Total amount due to reinsurance	394,693	207,184

23. Deferred tax liabilities

	(Unaudited)			
	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 30 September 2018 Thousand Baht
<b>For the period ended</b>				
Revaluation of investment Insurance and investment liabilities	(21,759,753)	176,667	7,396,459	(14,186,627)
Provision of expenses	2,960,312	(189,811)	-	2,770,501
Others	2,892,158	6,064	-	2,898,222
	(1,136,634)	(7,918)	-	(1,144,552)
Total	(17,043,917)	(14,998)	7,396,459	(9,662,456)
	(Audited)			
	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
<b>For the year ended</b>				
Revaluation of investment Insurance and investment liabilities	(12,335,137)	35,428	(9,460,044)	(21,759,753)
Provision of expenses	3,446,374	(486,062)	-	2,960,312
Others	2,832,303	64,481	(4,626)	2,892,158
	(1,146,905)	10,271	-	(1,136,634)
Total	(7,203,365)	(375,882)	(9,464,670)	(17,043,917)

**24. Other liabilities**

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
Accrued commissions and expenses	7,175,429	6,037,226
Payable for purchase of investments	1,322,407	694,608
Unpresented cheques payable	2,398,676	2,402,060
Expired cheques payable	2,501,591	2,385,253
Due commissions and expenses	744,216	737,107
Payable to related parties (Note 27 (b))	216,901	762,271
Agents payable	1,979,714	1,293,481
Cash collateral from derivative contracts	6,262,926	4,817,774
Other accounts payable	307,060	272,921
Others	572,588	1,266,650
Total	<u>23,481,508</u>	<u>20,669,351</u>

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

**25. Gross benefits and claim paid**

	For the three-month period ended	
	(Unaudited) 30 September 2018 Thousand Baht	(Unaudited) 30 September 2017 Thousand Baht
Insurance contract benefits	17,967,081	17,422,246
Change in investment contract liabilities	32,115	39,671
Total	<u>17,999,196</u>	<u>17,461,917</u>

  

	For the nine-month period ended	
	(Unaudited) 30 September 2018 Thousand Baht	(Unaudited) 30 September 2017 Thousand Baht
Insurance contract benefits	53,056,087	50,585,292
Change in investment contract liabilities	109,869	89,844
Total	<u>53,165,956</u>	<u>50,675,136</u>

**26. Operating expenses**

	<b>For the three-month period ended</b>	
	<b>(Unaudited) 30 September 2018 Thousand Baht</b>	<b>(Unaudited) 30 September 2017 Thousand Baht</b>
Employee expenses not relating to underwriting expenses, and loss adjusting expenses	798,358	778,080
Property and equipment expenses not relating to underwriting expenses, and loss adjusting expenses	465,346	412,285
Tax expenses	4,293	4,354
Other operating expenses	830,166	362,147
<b>Total</b>	<b>2,098,163</b>	<b>1,556,866</b>

  

	<b>For the nine-month period ended</b>	
	<b>(Unaudited) 30 September 2018 Thousand Baht</b>	<b>(Unaudited) 30 September 2017 Thousand Baht</b>
Employee expenses not relating to underwriting expenses, and loss adjusting expenses	2,391,469	2,420,311
Property and equipment expenses not relating to underwriting expenses, and loss adjusting expenses	1,322,378	1,204,046
Tax expenses	16,689	15,746
Other operating expenses	1,716,319	1,219,493
<b>Total</b>	<b>5,446,855</b>	<b>4,859,596</b>

## 27. 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 Limited.

### (a) Statements of comprehensive income

	For the three-month period ended	
	(Unaudited) 30 September 2018 Thousand Baht	(Unaudited) 30 September 2017 Thousand Baht
<b>Head office</b>		
Operating expenses	166,062	146,532
<b>Affiliated companies</b>		
Premiums ceded to reinsurers	636,550	377,016
Fee and commission income	18,188	22,289
Net investment income	-	27,783
Other income	80	402
Benefit and claim paid recovered from reinsurers	401,405	115,264
Other underwriting expenses	7,482	7,660
Operating expenses	203,835	191,980
	For the nine-month period ended	
	(Unaudited) 30 September 2018 Thousand Baht	(Unaudited) 30 September 2017 Thousand Baht
<b>Head office</b>		
Operating expenses	492,748	577,457
<b>Affiliated companies</b>		
Premiums ceded to reinsurers	1,898,295	708,325
Fee and commission income	57,456	79,821
Net investment income	30,699	27,783
Other income	238	560
Benefit and claim paid recovered from reinsurers	1,132,921	172,873
Other underwriting expenses	21,237	22,188
Operating expenses	608,279	573,346

**27. Related party transactions (Cont'd)**

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

**(b) Statement of financial position**

	(Unaudited) 30 September 2018 Thousand Baht	(Audited) 31 December 2017 Thousand Baht
<b><u>Head office</u></b>		
Profit remittances to Head Office	4,820,000	15,510,000
Other liabilities	51,803	673,413
<b><u>Affiliated companies</u></b>		
Reinsurance assets	37,489	31,494
Amount due from reinsurance	345	439
Investment in associates	171,500	171,500
Other assets	501,557	520,106
Amount due to reinsurance	176,939	82,336
Other liabilities	165,098	88,858

**(c) Key management compensations**

Key management compensations are as follows:

	For the three-month period ended	
	(Unaudited) 30 September 2018 Thousand Baht	(Unaudited) 30 September 2017 Thousand Baht
Salary and other short-term employee benefits	43,147	58,384
Severance payment	-	10,686
Post-employment benefits	2,495	3,413
Share-based payment	7,829	9,817
Total	53,471	82,300
	For the nine-month period ended	
	(Unaudited) 30 September 2018 Thousand Baht	(Unaudited) 30 September 2017 Thousand Baht
Salary and other short-term employee benefits	134,605	180,162
Severance payment	12,146	79,801
Post-employment benefits	33,623	19,453
Share-based payment	23,516	29,647
Total	203,890	309,063



**28. Contingent liabilities and commitments**

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

	<b>(Unaudited)</b> <b>30 September</b> <b>2018</b> <b>Thousand</b> <b>Baht</b>	<b>(Audited)</b> <b>31 December</b> <b>2017</b> <b>Thousand</b> <b>Baht</b>
Not later than 1 year	304,292	248,329
Later than 1 year but not later than 5 years	356,380	198,519
Total	<u>660,672</u>	<u>446,848</u>

As at 30 September 2018 and 31 December 2017, the Branch had contractual commitment from contract for investment property project at the maximum amount of Baht 292 million.