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
NameWai Cheong Fung
Position Chief Executive Officer
Date29MonthMayYear2020
Information for the Year 2019



1.1 COMPANY PROFILE

1.2 COMPANY POLICIES, OBJECTIVES AND STRATEGIES

1.3 THE NATURE OF BUSINESS

Established in Thailand since 1938, AIA has been committed to providing protection coverage to both individuals and businesses through a wide variety of products and services, including life insurance, personal accident, health insurance, group insurance, 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 50,000 agents nationwide, we service over 5.27 million customers with over 8.12 million in-force policies. Leading the life insurance industry, AIA pioneers iPOS+ & 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

AlA is strongly committed to making people live healthier, longer and better lives. We aim to make a real difference to our community through a number of corporate social responsibility initiatives, for instance AlA Sharing A Life Day, AlA School Library, AlA Operation Smile, AlA New Legs New Life, and so on.

- 1. Data from TLAA Annual Report 2018
- 2. Statistics of active investment analysts, from website of The Securities and Exchange Commission, last updated 30 January 2020



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

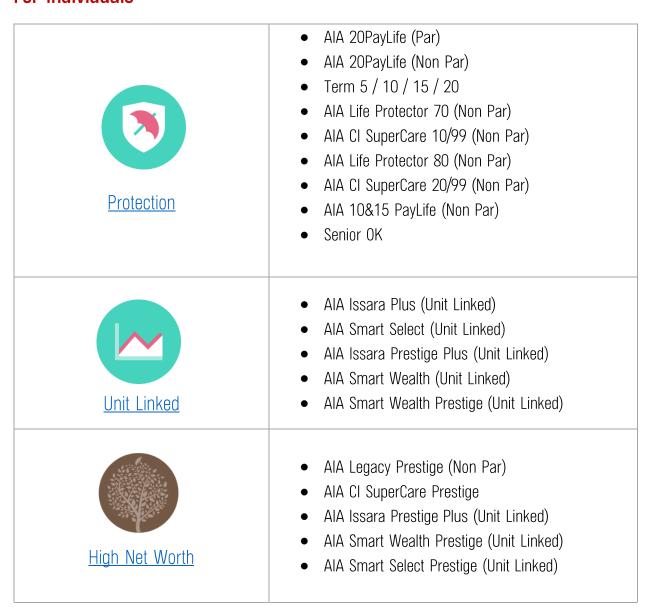
Operating's Philosophy Doing the right thing

In the right way

With the **right people**And the **results** will come

1.4 OUR PRODUCTS

For Individuals





	AIA CI SuperCare 10/99 (Non Par)
	AIA CI Care
	AIA Health Cancer
	AIA CI Plus
	AIA CI Plus UDR
	AIA Health Cancer UDR
<u>Critical Illnesses</u>	AIA CI UDR
	Lady Care
	AIA CI Top Up
	 Lady Care Plus
	AIA CI Care UDR
	AIA Infinite Care
	AIA H&S Plus Gold
	AIA H&S Extra
	• H&S
	AIA HB Extra
<u>Medical</u>	H&S UDR
	● HB
	 AIA H&S Extra UDR
	AIA HB Extra UDR
	• AIA PA 2500
	• AIA PA 4900
	• AIA PA 4000
	• AIA PA 2500
<u>Accident</u>	 Micro 1000
	Micro 500
	• Micro 200
	Micro 300
	• Micro 222
	• Micro 100
	• AI/RCC
	• ADB/RCC
	ADD/RCC

Annuity	 AIA Annuity Smart @60 AIA Annuity 60/85 AIA Annuity FIX
Savings	 AIA Flexi Saving (Par) AIA 15Pay30 (Par) AIA 15Pay25 Special (Par) 8Pay20 Special (Par)
AlA Vitality Protection	AIA Vitality Protection
Bank Assurance	BBL Be Together Save Plus Be Together Legacy Be Together Beloved Be Together Care Be Together Health & Save Be Together Health BAY Krungsri Unit Linked
	 Krungsri Unit Linked Super Smart TISCO TISCO Health Insurance Plan (HIP) TISCO Auto Loan Protection (ALP) TISCO My Gift Prestige

For Business

Provident Fund	 Provident Fund Management Services
Group Insurance	20UP+5UP+GPA Continental
Credit Life	 Auto Insurance Plan Mortgage Reducing Term Assurance (MRTA)
	For SME
	AIA 20PayLife (Par) AIA Life Protector SO (APL SO)
	AIA Life Protector 80 (APL 80)AIA CI SuperCare (Non Par)
	5Pay10 (Non Par)
i i	AIA Annuity FIX
SME/GPF	AIA Legacy Prestige (Non Par)
	For Government Pension Fund (GPF)
	 AIA 20Pay Life (Par)
	 AIA 20Pay Life (Non Par)
	AIA Annuity FIX
	AIA Endowment 15/25 (Non Par)
	AIA CI SuperCare (Non Par) AIA Vitality Protection
	AlA Vitality Protection

Table: Proportion of premium written from each insurance category for 2019

Unit: Million Baht

		Ord	linary		Personal				
Description	Whole Life	Endowment	Term	0thers	Total	Industrial	Accident	Group	Total
Direct premium written	23,564	49,213	159	44,060	116,996	-	3,572	11,887	132,455
Proportion of premium written	17.79	37.15	0.12	33.27	88.33	-	2.70	8.97	100.00

1.5.1.1 HOW TO MAKE CLAIMS

INDIVIDUAL HEALTH AND PERSONAL ACCIDENT INSURANCE CLAIM

How to make a claim at AIA Health Care Provider Network?

IPD Cashless Claims via AIA Health Care Provider Network (IPD CASHLESS CLAIMS)

Cashless claims (Fax Claims) for Inpatient and Day case treatment under medical necessary at any AIA Health Care Provider Network for the covered illness or injury. The service will be available to Hospital & Surgical (H&S) medical rider and Personal Accident (PA) according to policy's coverage.



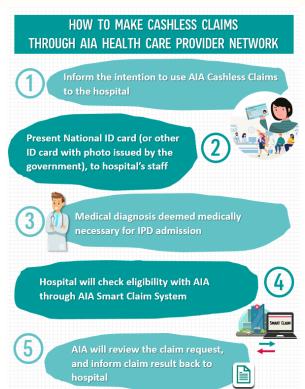
Monday - Friday

Weekends and Holidays

Service time

8.00 AM - 7.00 PM

8.30 AM - 7.00 PM



- In case AIA allows to use AIA Health Care service, insured will be responsible for any expenses exceeding policy's coverage.
- The coverage from other benefits e.g., Hospital Benefits (HB), Daily hospital benefit from AIA health cancer (AHC), AI benefit will be processed by AIA along with Fax Claims. The claim payment will be sent directly to the insured at the address, or bank account (AIAPAY) provided to AIA.
- For the Critical Illness benefit and the disability benefit, insured need to submit claim request separately with <u>relevant documents</u> to AIA directly or through agents.
- In case AIA cannot provide Fax Claims services, insured can submit claim request with a claim form including with original receipt and relevant documents to AIA as per normal process.



Download File (TH)

Download File (EN)

Conditions of Fax Claims services

1. The policy with H&S (Hospital & Surgical) rider

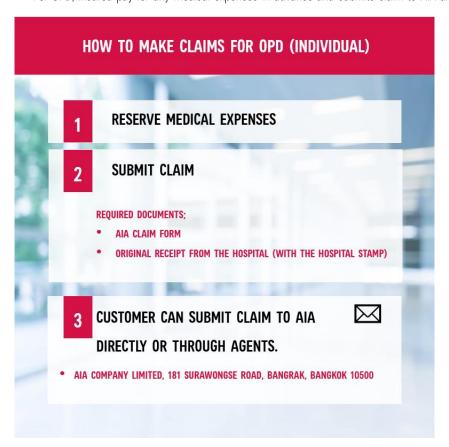
<u>For Health claim</u>, rider must be effective at least 90 days from the rider contracted date or reinstated date. <u>For Accident claim</u>, service is available from the rider contracted date.

The Personal Accident rider (PA) the service is available on the rider contracted date.

- 2. AlA will assess your claim, upon the request and documents received through AlA Smart Claim system, according to the policy's terms and conditions.
- 3. Available at hospitals and clinics under AIA Health Care Provider Network.
- 4. AIA will not provide Fax Claims services to the following cases (insured needs to submit claim request with the claim form and original receipt to AIA as per normal process)
 - Treatments of any critical, or chronic illness while the rider has been effective less than 2 years.
 - Treatments of any pre-existing conditions, or conditions listed under General and Personal Exclusions.
 - Medical check-ups, rehabilitations or physical therapies.
 - In case AIA needs to collect further information or consult the specialists in order to provide an accurate and fair claim assessment.

• OPD Claim

For OPD, insured pay for any medical expenses in advance and submits claim to AIA along with relevant documents.



Accident Claim

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

How to make Cashless Claims through AIA Care Card

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

List of hospitals and clinics in AIA Care Card network

Download File (TH)

Download File (EN)

Note:

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

Hospital Benefit (HB) claim

Provide daily inpatient benefit during hospitalization per confinement due to injury or illness.

HB Rider Claim: the compensation will be sent to the insured by depositing to the insured's bank account (AIAPAY) or delivering cheque at the address provided to AIA.

Policy Coverage

- The rider is effective when the premium is paid within due date.
- The rider is effective at hospitalization date or accident date according to rider conditions.

Channels to Check for Coverage,

- Online checking (24 hours): AIA iService Application and AIA iService Website
- Your AIA Agent.
- AIA Call Center 1581 on a 24/7 basis.

For more details, please see Individual Health and Personal Accident insurance Claim

Claim at Non-AIA Provider Network

For IPD, OPD, and accident claim, insured must make an advance payment and submit claim request to AIA within 15 days unless additional documents are required.

How to make claims?

- 1. Insured pay for any medical expenses in advance.
- 2. Make a request for original receipt and medical certificate from hospital.
- 3. Submit a completed <u>claim form_along</u> with <u>relevant documents</u> to below address,

AIA Health Claim: AIA Company Limited, AIA Tower 2, 181 Surawongse Road, Bangrak, Bangkok 10500

Policy Coverage

- The rider will be effective when the premium is paid within due date.
- The rider is effective at hospitalization date or accident date according to rider conditions.

Channels to Check for Coverage,

- Online checking (24 hours): AIA iService Application and AIA iService Website
- Your AIA Agents
- AIA Call Center 1581 on a 24/7 basis

For more details, please see Individual Health and Personal Accident insurance Claim

GROUP HEALTH AND PERSONAL ACCIDENT INSURANCE CLAIM

How to make a claim at AIA Health Care Provider network?

• IPD and OPD Cashless Claims

The insured under Group insurance can present national ID card without advanced payment required. Noted that international insured can also provide passport.

List of AIA Health Care Provider Network (Group)

Download File (TH)

Download File (EN)

Claim at Non-AIA Provider Network

For IPD, OPD, and accident claim, insured must make an advance payment and submit claim request to AIA within 15 days unless additional documents are required.

How to make claims?

- 1. Insured reserve for medical expenses
- 2. Request original receipt and medical certificate with claim request
- 3. Complete <u>claim form</u> and attach Copy of Group insurance card. Submit these with the document in 2.

AIA Health Claim: AIA Company Limited, AIA Tower 2, 181 Surawongse Road, Bangrak, Bangkok 10500

Note:

- IPD, claim documents must be submitted within 20 days after discharging from the hospital.
- OPD, claim documents must be submitted within 90 days after receiving hospital treatment.

For more information Group Health and Personal Accident insurance Claim

1.5.1.2 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 <u>HERE</u>. 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 Required for Living Claims

		Types of Claims											
			Accident			Illness			AIA	Record	Disability	Cancer	Cancel
	Document or evidence	IPD	OPD	ΑI	BB	IPD	Day	OPD	Reginal	Deductible		or	or
	became of evidence			(1)			Case		Passport		Dismem- berment	Critical Illness	Change Claims
											(2)	(3)	Cheque
1.	Claim form: for insured & for Doctor	✓	✓	✓	✓	✓	✓	✓	√	✓	√	√	-
2.	Original receipt and medical expense	1	/	√	1	1	1	1	✓	_	_	_	_
	statement		,	•		•	,	•	•	_	_	•	_
3.	Copy of receipt and/or medical expense	_	_	_	_	_	_	_	_	✓	_	_	_
	statement						_		_	•			
4.	Medical Record/Vaccination or Serum	*	*	*	*	*	*	*	*	_	*	*	_
	Record		^	^		^			^		^		
5.	Copy of Pathology Report	-	-	-	-	-	-	-	-	-	-	*	-
6.	X-Ray Film, CT, MRI, EMG, PET SCAN, CD,	*	*	*	*	*	*	*	*	_	*	*	_
	Current Photo	^	^	^		^	^	^	^	_	^	^	
7.	Copy of Police Report	*	*	-	-	-	-	-	-	-	*	-	-
8.	Copy of Passport with departure and arrival	_	_	_	_	_	_	_	✓	_	_	_	
	stamp					_	_			_	_		_
9.	Request form for document acquisition	✓	✓	✓	✓	✓	✓	✓	✓	-	-	-	-
10.	Request Form for Cancellation/Change												/
	Claims Cheque	-	_	•	•	-	_	-	•	_	-	-	•
11.	Co-insurance Claim Payment Document	√	✓	✓	✓	✓	✓	✓	-	√	-	-	-

หมายเหตุ:

- ✓ 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	Document Required			
An inpatient	Copy of receipt			
Surgery	Operative notes or Surgery report			
Fracture, broken bone or dislocation	Film X-rays, CT, MRI with result			
Injury from assault	Copy of daily police report			

(2) Disability or Dismemberment Benefit

In case of	Document Required
Loss of eye (s)	Eye examination Report with current photo
Loss of hand (s), Foot or feet, arm (s) or leg (s)	Film X-rays with current photo

(3) Cancer or Critical Illness Benefit

In case of	Document Required
Cancer	Pathology report by Pathologist or Hematologist
	If not checked while still living please submit autopsy report with Death Claims
Cirrhosis	Medical record and Pathological report by Pathologist
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 Surgery report
Acute Heart Attack	Medical record, the result of Cardiac Enzyme and Electrocardiogram (ECG)
Fulminant Viral Hepatitis	Medical record, the result of Liver function test and Ultrasound - abdomen
Chronic Kidney Failure	Medical record, the result of Renal function test and Ultrasound - abdomen
Major Organ Transplant or Bone Marrow Transplant	Medical record and Surgery report
Emphysema	Medical record and the result of Lung function test
Muscular Dystrophy	Medical record and the result of Electromyography (EMG)
Multiple Sclerosis	Medical record and the result of Cerebrospinal fluid
Poliomyelitis	Medical record and the result of Cerebrospinal fluid
Bacterial Meningitis	Medical record and the result of Cerebrospinal fluid
Viral Encephalitis	Medical record and the result of Cerebrospinal fluid
Major Burn	Medical record and degree of burn assessment following Rule of Nine by Surgeon
Coma	Medical record and the result of Neuro diagnosis by Physician or Neurosurgeon
Major Head Trauma	Medical record, the assessment of skull injury and Activity Daily Living: ADL index
Kawasaki Disease with Heart Complications	Medical record and the result of Echocardiogram by Cardiologist or Pediatric Cardiologist

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, guardian or close relatives 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	✓	\checkmark	
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 postmortem 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, EXCEPT 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



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)

C

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 interst 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 complaitns 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 AND INTERNAL CONTROL
- 3.1 ENTERPRISE RISK MANAGEMENT (ERM)



AIA Thailand **Corporate Governance Framework**

Incorporating

AIA THAILAND



Document Details

Document Name	Corporate Governance Framework
Document Version	2.0
Originating Business Function	AIA Thailand, Risk Function.
Framework Owner	Chief Risk Officer ("CRO")
Primary Framework Contact Person	Head of Regulatory Compliance and External Affairs
Secondary Framework Contact Person	Regulatory Compliance and External Affairs Department
Date of First Issuance	19 September 2019
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Notified to	Executive Committee ("EXCO")
Approved by	Executive Committee ("EXCO")
Review Frequency	Minimum once a year or when needed
Next Review Date	March 2021
Document Type Per Corporate Policy Governance Standard	Policy
Information Classification Per Group Data Protection Standard	Restricted
Related Policies and Standards	Code of Conduct AIA Group Anti-Corruption Policy AIA Group Anti-Fraud Policy AIA Group Whistle blower Protection Policy

VERSION CONTROL

Version	Amendments	Approval Date	Approved by
1.0	First release	19 September 2019	EXCO
2.0	Second release	1 April 2020	CRO

DISTRIBUTION LIST

TITLES		
All members of EXCO		

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1. Introduction

1.1. Purpose and Background

According to the Notification of the Insurance Commission Re: Life Insurance Company's Corporate Governance B.E.2562 effective on August 25, 2019 (the "Notification"), this Corporate Governance Framework is mandated to be established to assist a company's Board to realize and understand their roles, duties and responsibilities as the leaders of the organization who must oversee that the company has a sound management system.

The Chief Executive Officer (the "CEO") and the Executive Committee (the "EXCO") of AIA Company Limited ("AIA Thailand" or the "Company") believe that strong corporate governance is essential for delivering sustainable value, enhancing a culture of business integrity and maintaining stakeholder confidence. As such, the CEO and the EXCO are committed to high standards of corporate governance and the implementation of good practices across all functions in the Company.

2. Scope

2.1. Scope

This document describes the Corporate Governance Framework (the "Framework") applicable to AIA Thailand. This Framework covers practical guidelines for EXCO members.

2.2. Interpretation and Application

In this Framework, the following rules of interpretation apply unless otherwise specified:

- (a) Headings are for convenience only and do not affect the interpretation of this Framework
- (b) The singular includes the plural and vice versa;
- (c) Words "such as", "including", "particularly" and similar expressions are not used as, nor are intended to be interpreted as, words of limitation;
- (d) When the day on which something must be done is not a business day, it must be done on the following business day; and
- (e) If there is any conflict between the body of this Framework and its appendices, schedules, attachments, and other documents, the terms of the main body of this Framework will prevail.

2.3. Consultation

This Framework has been consulted with the following parties as per the Group Corporate Policy Governance Standard ("CPG Standard")

- General Counsel & Business Development
- Chief Risk Officer
- Director of Regulatory Compliance and External Affairs
- Director of Compliance
- Director of Enterprise Risk Management

Main Provisions

3.1. Mandatory and Minimum Requirements

This Framework is developed to provide practical guidelines to assist EXCO members in understanding their roles and responsibilities to oversee AIA Thailand's sound management system and good corporate governance to attain long-term operational performance, credibility and sustainability which comprises of:

- 1) Formulating directions, policies and strategies of AIA Thailand;
- 2) Overseeing to ensure that AIA Thailand has in place effective procedures and system to control, monitor and audit; and
- 3) Following up and supervising the operations of AIA Thailand.

3.2. Roles and Responsibilities

3.2.1 The EXCO of AIA Thailand

AlA Thailand is a branch office of AlA Company Limited ("AlA"), which is incorporated in Hong Kong. AlA's ultimate holding company is AlA Group Limited ("AlA Group"), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited. The Board of Directors of AlA ("the Board"), has delegated the general operations of AlA Thailand to the CEO of AlA Thailand, who in turn has sub-delegated his authority to the EXCO of which he is the Chairman. According to the definition of "Company's Board" in the Notification, the EXCO is considered as the Company's Board in the case of AlA Thailand.

3.2.2 Responsibilities of the EXCO

The key responsibilities of the EXCO are:

- a) Providing direction on the governance and management of AIA Thailand operations, staff, performance, risk and controls;
- b) Developing business plans, budgets and company strategies, and ensure their smooth implementation; and
- c) Ensuring fair treatment of customers throughout the life-cycle of AIA Thailand products.

The EXCO shall carry out the following:

- a) Providing oversight of AIA Thailand corporate governance arrangements to ensure they remain robust and appropriate;
- b) Reviewing overall business planning and performance and their contribution to the delivery of AIA Thailand objectives and targets;
- c) Supervising the execution of AIA Thailand strategies;

- d) Ensuring the effective and efficient delivery of AIA Thailand business;
- e) Coordinating the work of the various committees and departments in AIA Thailand;
- Determining the allocation of resources to ensure that business performance and risk, compliance and audit controls are addressed effectively;
- g) Communicating AIA Thailand objectives and priorities to staff and other stakeholders;
- h) Leading and promoting change to secure improved performance, including successful delivery of major programmes and projects;
- i) Establishing operational policies and plans consistent with AIA Group;
- j) Ensuring that applicable legislations, regulations and statutory standards are complied with;
- k) Ensuring the appropriate state of business continuity preparedness in AIA Thailand, and that policies and strategies are in place for the continuation of critical business functions;
- Overseeing AIA Thailand information disclosures to the public relating to corporate governance in accordance with applicable laws and regulations;
- m) Ensuring financial statements are prepared accurately, reliably and disclosed adequately and promptly to the public and regulators in accordance with applicable accounting standards and regulations; and
- Performing such other functions as may be delegated from time to time by the CEO or the Board.

An EXCO member must not work full time for another company, unless the EXCO views that the full-time work for the other company does not impact to the work at AIA Thailand.

3.2.3 The EXCO's Conduct of Meeting

The EXCO has meeting at least once a month. The meeting agenda covers monitoring and evaluating of operations to ensure compliance with regulations as well as relevant governance policies. Other than in exceptional circumstances, an agenda and accompanying meeting papers should be sent in full to all members of the EXCO in a timely manner before the intended date of a meeting of the EXCO.

Meetings of the EXCO may be in person or held through electronic means and all contemplated actions of the EXCO, whether in person or held through electronic means, may be taken by the EXCO through a simple majority vote of those members present or voting through electronic means and forming a quorum in each case, provided in each case notice is provided to each member of the EXCO.

The procedures and processes of the EXCO shall be determined by its members and overseen by the EXCO's secretariat. The secretariat shall be responsible for assisting the Chairman in administering the business of the EXCO.

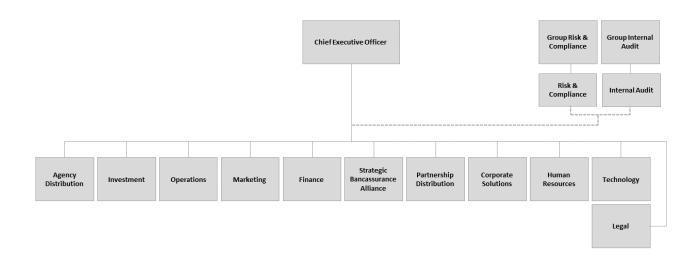
Full minutes of the EXCO's meetings shall be kept by the secretariat, and such minutes shall be available for inspection at any reasonable time on reasonable notice by the EXCO or the Board.

The secretariat shall be responsible for recording and maintaining the minutes of all meetings of the EXCO. Minutes of meetings of the EXCO shall record in sufficient detail the matters considered and recommendations reached during meetings of the EXCO. Draft and final versions of minutes of such meetings should be sent to all members of the EXCO by the Secretariat for their comment and records respectively, in both cases within a reasonable time after such meetings.

3.2.4 Performance Evaluation of Members of the EXCO

AlA Thailand undertakes performance evaluation of its members of the EXCO on an ongoing basis according to Performance Development Dialogue ("PDD") throughout the year.

3.2.5 AIA Thailand Structure



a) Chief Executive Officer

Responsible for the successful leadership and management of the AIA Thailand.

b) 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.

c) Chief Investment Officer

Responsible for formulating and recommending the overall investment plan to maximize investment portfolio with proper risk management to support insurance products & asset liability management.

d) 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.

e) General Counsel and Business Development

Ensure that the legal department provides timely and relevant legal advice and support to the business, including relating to products, regulatory compliance, case management and all other matters which have a company-wide impact including the formulation of corporate strategic plans and evaluation of new ventures, acquisitions, mergers, divestments and major investment proposals (but excluding providing any legal advice, legal services or litigation work with respect to Thai law) and responsible for overseeing the Corporate Strategy and Project Management Office teams to drive company's key strategies and key projects to ensure successful execution.

f) Chief Agency Officer

Responsible for driving the sustainable growth of the agency business and developing short-term and long-term business objectives and targets.

g) Chief Marketing Officer

Responsible for overseeing the planning, development and execution of an organization's product strategy, marketing, branding and advertising initiatives.

h) 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.

i) Chief Life Officer

Responsible for managing and leading the implementation of appropriate operational processes and initiatives to achieve the company's objectives and business growth targets.

j) 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,

k) Chief Strategic Bancassurance Alliance Officer

Responsible for managing the relationship with AIA's Thailand's strategic bancassurance partnership including formulating and executing strategic plans to support the growth, profitability and operational objectives within the regulatory framework.

3.2.6 Management Committees

The EXCO, as deemed necessary, is empowered to form management committees to execute some of its responsibilities or steering committees, taskforces, workgroups to provide oversight on or carry out specific task or projects.

The main management committees are:

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. Chief Executive Officer
- 2. Chief Investment Officer
- 3. Chief Financial Officer
- 4. Chief Risk Officer
- 5. Chief Actuary

b) Asset Liability Committee (ALCO)

The purpose of the ALCO is to provide oversight of Asset Liability Management (ALM) policies, processes and controls and the implementation of ALM decisions and Strategic Asset Allocation processes. The ALCO shall ensure that the Company holds sufficient assets of appropriate nature, term and liquidity to enable such entities to meet its liabilities as they become due. The members of ALCO shall be appointed by the CEO, which are:

- 1. Chief Financial Officer
- 2. Chief Risk Officer
- 3. Chief Investment Officer
- 4. Chief Actuary.

c) 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. Chief Investment Officer
- 2. Fund Manager from Life Fund
- 3. Credit Manager from Life Fund
- 4. Head of Pension Business
- 5. Fund Manager from Pension Business
- 6. Director of Enterprise Risk Management

d) 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. Chief Financial Officer
- 2. Chief Risk Officer
- 3. Chief Agency Officer
- 4. Chief Human Resource Officer
- 5. Chief Life Officer
- 6. Chief Technology Officer
- 7. General Counsel & Business Development
- 8. Director of Compliance

e) 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 the adequacy of capital position. The FRC also ensures that appropriate financial risk policies are in place. The members of FRC are:

- 1. Chief Executive Officer
- 2. Chief Financial Officer
- 3. Chief Risk Officer
- 4. Chief Investment Officer
- 5. Chief Actuary

f) Serious Complaint Committee (SCC)

The purpose of the SCC is to make decision on how to handle serious complaints, develop policies to manage serious complaints, and to monitor communication and results. The members of SCC are:

- 1. General Counsel & Business Development
- 2. Chief Actuary
- 3. Chief Marketing Officer
- 4. Chief Life Officer
- 5. Chief Risk Officer
- 6. Director of Compliance
- 7. Director of Agency Strategy & Support

g) Claims Committee (CC)

The Purpose of the CC is to approve claims assessor limit, including ex-gratia payments. The members of CC are:

- 1. Chief Life Officer
- 2. Chief Financial Officer
- 3. Chief Actuary
- 4. Chief Risk Officer
- 5. Director of Health Services

h) Anti-Money Laundering Committee (AMLC)

The objective of the AMLC is to consider matters relating to AML/CTF and to make appropriate decisions in accordance with the Anti-Money Laundering Act, the Counter-Terrorism and Proliferation of Weapon of Mass Destruction Financing Act or any subsequent related legislation and regulation as well as with the AIA Group Policy and Guidelines on Anti-Money Laundering and Counter Terrorist Financing and Economic Sanctions. The members of AMLC are:

- 1. Chief Risk Officer
- 2. Chief Life Officer
- 3. Director of Legal

i) Intermediary Disciplinary Committee (DC)

The Objective of the DC is to provide oversight of the effectiveness of the investigation, including identifications of root cause and control weakness, portfolio analysis and execution of penalty and remedial actions relating to intermediaries' misconduct within AIA Thailand. This is to ensure the investigation and disciplinary action relating to intermediaries' misconduct are properly executed and handled to avoid non-compliance with laws / company's policies and procedures and to avoid any adverse impact on company's reputation. The members of DC are:

- 1. Chief Technology Officer
- 2. Director of Legal
- 3. Director of Finance
- 4. Director of Enterprise Risk Management
- 5. Director of Compliance

j) Intermediary Appeal Board (AB)

The Objective of the AB is to provide for appeal by an Intermediary against a penalty imposed by the Intermediary Disciplinary Committee. The members of AB are:

- 1. Chief Financial Officer
- 2. Chief Risk Officer
- 3. General Counsel & Business Development

k) Employee Disciplinary Committee (EDC)

The Objective of the EDC is to provide oversight of the handling incident relating to violation of code of conduct and whistleblowing relating to AIA Thailand staff. This is to ensure the investigation and disciplinary action relating to misconduct are properly executed and handled to avoid non-compliance with laws / company's policies and procedures and to avoid any adverse impact on the company's reputation. The members of EDC are:

- 1. Chief Technology Officer
- 2. Chief Risk Officer
- 3. Chief Human Resource Officer

3.2.7 The Audit Committee

The Board has established the AIA Company Audit Committee ("Audit Committee") to review and monitor audited financial statements, reports from Group Internal Audit, report on litigation updates and other matters escalated to the chairman of the audit committee of AIA Group.

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 Independent Non-Executive Directors, 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 of AIA Thailand. The duties of the FOC include review of financial information, oversight of the Company's financial reporting system and internal control procedures, and management of external auditor relationship.

The members of the Thailand FOC are appointed by the AIA Group Audit Committee. The members of FOC are:

- 1. Group Chief Financial Officer
- 2. Group Head of Tax
- 3. Group Senior Regional Counsel

3.2.8 Risk Management and Internal Control

The core of AIA Thailand's business is accepting, pooling and managing risk for the benefit of policyholders and shareholders. Effective risk management is a key driver of value. Accordingly, AIA Thailand does not seek to eliminate all risks but rather to identify, understand and manage them within acceptable limits to create long-term value.

AIA Thailand manages risk by adopting a "Three lines of defence" governance mode. The objectives are to ensure that an independent system of checks and balances is in place to provide assurance that risks are governed properly. The EXCO retains overall responsibility for oversight of the AIA Thailand's risk management activities. All business unit managers and executives are accountable for ensuring their business functions always operate 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 risk taken.

AIA Thailand's Risk Management Framework provides the structure for identifying, quantifying, mitigating and reporting risk across the company. The Risk Management and Compliance function 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, AIA Thailand does so within acceptable levels of risk without compromising either financial strength or the requirement for appropriate returns.

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, analysed, prioritized, managed and governed properly. The framework clearly defines the respective roles and responsibilities of the EXCO, the Risk and Compliance function and the Internal Audit function. The Risk and Compliance and Internal Audit functions report functionally to AIA Group Risk and Compliance and AIA Group Internal Audit

respectively. Both functions administratively report to CEO (Please refer to AIA Thailand Structure under clause 3.2.5 for reference).

In additional, AIA Thailand has the following policies in place.

Conflict of Interest Policy

A position at AIA Thailand cannot be used for inappropriate personal gain or advantage to anyone or a member of family. Any situation that creates, or even appears to create, a conflict of interest between personal interests and the interests of AIA Thailand must be appropriately managed.

Conflicts of interest whether potential or actual conflicts must be reported to the channel arranged by AIA Thailand.

Whistle Blower Protection Policy

AIA Thailand maintains a comprehensive Whistle-blower Program, which is designed to handle reports of misconduct and inappropriate behaviour. Employees who are aware of possible wrongdoing within AIA Thailand 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 doing 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 vendor to act with honesty and integrity. All suspected cases of fraud will be investigated, and disciplinary procedures enforced, including prosecution and termination.

Renumeration Policy

Any compensation proposal for an employee should take into consideration external competitiveness and internal equity and should be prepared and approved as per AIA Thailand procedures before any verbal or written offer can be made.

Code of Conduct and Business Ethics

The AIA Code of Conduct is the main guideline for AIA Thailand staff. The code of conduct emphasizes integrity and responsibility to stakeholders including customers, partnership, shareholders, regulators and communities in which AIA Thailand operates.

3.3. Exemptions

Exemptions to the Framework should be requested only in special circumstances, for example whereby it is required to meet legal or regulatory requirements. The exemption must be escalated to the CRO and the EXCO accordingly and be supported by a rationale from the Executives as appropriate.

Approval for the proposed exemption should be received explicitly from the EXCO before the exemption is treated as authorized.

3.4. Breach Management and Escalation

Where AIA Thailand fails to observe a requirement in the Corporate Governance Framework without prior authorization, this will be deemed as a breach. Breaches should be escalated to the who will further notify any parties as deemed appropriate. Anyone breaching this Framework may render himself/herself liable to disciplinary action. Breaches to the Framework should be notified and reported via incident reporting.

3.5. Monitoring, Review and Amendments

Risk and Compliance is responsible for monitoring compliance with this Framework on an ongoing basis and documenting the results of monitoring activity for their respective business on at least an annual basis. In stances of non-compliance should be reported to the CRO. This Framework should be reviewed at least on an annual basis in line with regulatory requirements.

3.6. Delegation of Authority (if applicable) and Other Administrative Matters

Regulatory Compliance and External Affairs Department is responsible for the administration and revision of this Framework. This Framework shall be reviewed annually. The Head of Regulatory Compliance and External Affairs is responsible for communicating the Framework to the EXCO's members.

4. Approvals

This Framework is approved by the EXCO. Where changes not significantly affecting the provisions of the Framework (e.g. minor wording changes, etc.), the approval for such changes from EXCO is not required and can be undertaken unilaterally by the CRO.

5. Appendix – Relevant Policies and Regulation

Code of Conduct

AIA Group Anti-Corruption Policy

AIA Group Anti-Fraud Policy

AIA Group Whistle blower Protection Policy

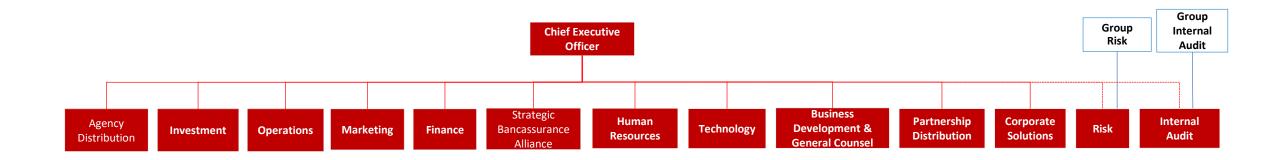
AIA Thailand

Corporate Governance Framework

Version 2.0

2.2 THE COMPANY STRUCTURE





2.3 BOARD AND MANAGEMENT STRUCTURE

Board and Management



Wai Cheong Fung 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 General Counsel and Business Development

Responsible for supporting the company in setting and executing its corporate strategy, as well as in managing its legal risk (but excluding providing any legal advice, legal services or litigation work with respect to Thai law).



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 Simaroj 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 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.

2.4 SUB-COMMITTEE MEMBERS

a) Investment Committee ("IC")

The members of IC are:

- 1. Wai Cheong Fung (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 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 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. Alisa Srimaroj (Chief Life Officer)
- 5. Kitti Manakongtreecheep (Chief Technology Officer)
- 6. Julie Van Nuffel (General Counsel & Business Development)
- 7. Sarunya Tienthavorn (Chief Human Resources Officer)
- 8. Supirut Pothavorn (Director Compliance)

d) Financial Risk Committee ("FRC")

The members of FRC are:

- 1. Wai Cheong Fung (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 members of Group Audit Committee are:

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

Financial Oversight Committee

The members of FOC are:

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

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.



3.2 ASSET-LIABILITY MANAGEMENT

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

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

The Invested Assets to Policy Reserve ratio is regularly monitored under OIC's Early Warning System Indicators (EWS) framework. The ratio must always be well above 100% to ensure assets adequacy in covering 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 benefits 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 the 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 for based on 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

		As of December 31,					
Item	20	019 2018		118			
	Book value	Book value Appraisal		Appraisal			
		value		value			
Long-term technical reserves	575,117	697,943	572,250	598,901			
Short-term technical reserves	18,765	16,480	17,899	15,841			
Unpaid policy benefits	390	390	333	333			
Due to insured	104,902	66,603	91,558	60,029			

Remarks:

- Book Value refers to Insurance liabilities valuated 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 valuated 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 methodologies 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

	As of December 31,					As of December 31,			
Investment assets	2019		2018						
	Book value	Appraisal value	Book value	Appraisal value					
Deposits with financial institutions and Certificate of Deposit	2,785	2,785	7,270	7,270					
Bonds, debentures, promissory notes bill of exchange	754,469	754,345	665,358	665,433					
Equity securities excepted investments in subsidiaries and associates	123,599	124,365	98,762	101,834					
Mutual fund	4,857	4,857	5,451	5,451					
Policy Loans	30,778	37,075	29,670	29,670					
Loans	1,462	1,439	1,488	1,464					
Warrants	13	13	18	18					
Investment property	16,850	16,850	16,410	16,410					
Derivative assets	7,054	15,111	2,896	6,732					
Others	-		-						
Total Investment Assets	941,867	956,840	827,323	834,282					

7. FINANCIAL RESULTS ANALYSIS AND RATIOS

Performance

Unit: Million Baht

Items	As of December 31,		
Items	2019	2018	
Gross written premiums	132,455	125,132	
Net earned premiums	126,397	120,803	
Net investment income	33,733	32,904	
Change in long-term technical reserve	2,867	26,877	
Net benefits and claim paid	100,624	73,232	
Net Profit	22,420	22,182	

Gross written premiums in 2019 grew up by Baht 7,323 million or 5.9% from 2018, mainly from Ordinary Life products generating from Agency channel. Net investment income increased by Baht 829 million or 2.5% and net profit increased by Baht 238 million or 1.1% from last year. While Change in long-term technical reserve and Net benefits and claims paid went up totally by Baht 3,382 million or 3.4%.



Financial Ratio

Ratios	2019	2018
First year underwriting expense per net premium	85.8%	81.2%
Renewal underwriting expense per net premium	14.3%	13.7%
Return on equity	12.5%	14.7%
Return on asset		
Return on asset	2.4%	2.6%
Return on asset excluded Unit linked and Universal life	2.5%	2.6%
Return on investment ratio		
Return on investment ratio	3.7%	3.9%
Return on investment ratio excluded Unit linked and Universal life	3.8%	4.0%
Investment asset per liability reserve	137.6%	139.2%

8. CAPITAL ADEQUACY

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

Thailand has implemented RBC regulation since September 2011. In December 2019 the RBC regulation was updated with the implementation of RBC II, which updates and enhances the capital standards to be more comprehensive.

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 the supervisory CAR to maintain financial strength and avoid potential regulatory intervention.

The Company holds additional capital in excess of the TCR to comply with its internal capital requirements. This ensures that the Company's CAR will remain higher than 120% even after a shock that is expected to occur once in 10 years.

The table below illustrates that throughout the year, the Company has a strong capital position that is significantly above the supervisory CAR of 120%.

Unit: Million Baht

Items	As of December 31,		
	2019	2018	
Total Asset	1,004,740	874,914	
Total Liabilities	823,153	708,271	
- Insurance Liabilities	781,416	675,104	
- Other Liabilities	41,737	33,167	
Total Head Office's Equity	181,587	166,643	
Capital Adequacy Ratio (%)	363	406	
Total Capital Available	180,666	165,836	
Total Capital Required	49,715	40,885	



Remarks: - According to the OIC's RBC capital valuation of Non-Life Insurance Companies, the Registrar may determine the necessary procedures to manage companies with a CAR below the followings:

- (1) 120% from December 31st, 2019 to December 31st, 2021
- (2) 140% from January 1st, 2022 onwards
- Capital refers to RBC capital valued according to the OIC's Notification on the Valuation of Assets and Liabilities of Non-Life Insurance Companies
- The above items use a Fair Value approach according to the OIC's Notification on the Valuation of Assets and Liabilities of Non-Life Insurance Companies

AIA COMPANY LIMITED

FINANCIAL STATEMENTS
31 DECEMBER 2019



Independent Auditor's Report

To the Executive Committee 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 2019, 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 2019;
- 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.

Paiboon Tunkoon

Certified Public Accountant (Thailand) No. 4298

Bangkok

10 March 2020

		31 December	31 December
		2019	2018
	Notes	Baht	Baht
Assets			
Cash and cash equivalents	8	5,553,565,042	7,769,489,147
Premium receivables	9	7,178,537,532	6,596,744,106
Accrued income on investments		5,142,295,470	5,684,482,811
Reinsurance assets	10, 21, 33	231,533,260	299,424,481
Amount due from reinsurance	11, 33	628,133	1,905,664
Derivative assets	12	7,054,202,416	2,896,344,761
Invested assets			
Investment in securities, net	13	880,192,356,890	769,096,590,258
Investment in associates	14, 33	171,500,000	171,500,000
Loans, net	15	32,240,355,289	31,157,710,208
Investment property	16	16,849,643,239	16,410,000,000
Assets held to cover linked liabilities	17	27,720,158,178	20,646,422,436
Property, plant and equipment	18	2,205,939,485	2,071,691,883
Intangible assets	19	1,041,845,240	698,275,585
Other assets	20, 33	1,907,604,409	2,305,222,224
Total assets	. =	987,490,164,583	865,805,803,564

Authorised signature	
Date	

	Notes	31 December 2019 Baht	31 December 2018 Baht
Liabilities and Head Office's Equity			
Liabilities			
Insurance liabilities	21	697,004,792,055	680,244,719,106
Investment liabilities	22	716,018,557	1,619,936,357
Amount due to reinsurance	23, 33	592,894,931	359,319,757
Derivative liabilities	12	61,769,363	659,236,610
Income tax payable		1,263,575,065	2,689,801,011
Employee benefit liabilities	24	3,885,552,102	3,062,818,646
Deferred tax liabilities	25	33,698,516,767	9,623,601,126
Other liabilities	26, 33	32,889,126,630	25,782,724,966
Total liabilities		770,112,245,470	724,042,157,579
Head Office's Equity			
Unrealised gains on changes in fair			
value of investments, net of tax Remeasurements of post-employment		138,167,982,619	52,998,840,193
benefit obligations, net of tax Gains on land and building revaluation,		(1,443,934,031)	(1,100,415,482)
net of tax		888,004,205	819,701,391
Other reserve		109,927,753	82,648,649
Branch's retained earnings			, ,
Unappropriated		79,655,938,567	88,962,871,234
Total Head Office's Equity		217,377,919,113	141,763,645,985
Total liabilities and Head Office's Equity		987,490,164,583	865,805,803,564

Revenues Gross written premiums 132,455,150,401 125,131,659,281 Less premiums ceded to insurers 33 (4,648,748,702) (3,437,407,126) Net written premiums 127,806,401,899 121,1694,221,155 Less net change in unearned premium reserve (1,409,532,205) (891,002,350) Net earned premiums 126,396,869,494 120,803,249,805 Fee and commission income 33 465,425,969 494,611,400 Net investment income 33 33,732,728,094 32,903,554,364 Gains on investment or income 33 33,732,728,094 10,767,069,065 Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid 27 103,690,359,557		Notes	2019 Baht	2018 Baht
Less premiums ceded to insurers 33 (4,648,748,702) (3,437,407,126) Net written premiums 127,806,401,699 121,694,252,155 Less net change in unearned premium reserve (1,409,532,205) (891,002,350) Net earned premiums 126,396,869,494 120,803,249,805 Fee and commission income 33 465,425,969 494,611,400 Net investment income 33 33,732,728,094 32,903,554,364 Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) 367,508,727 Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Ot	Revenues			
Less premiums ceded to insurers 33 (4,648,748,702) (3,437,407,126) Net written premiums 127,806,401,699 121,694,252,155 Less net change in unearned premium reserve (1,409,532,205) (891,002,350) Net earned premiums 126,396,869,494 120,803,249,805 Fee and commission income 33 465,425,969 494,611,400 Net investment income 33 33,732,728,094 32,903,554,364 Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) 367,508,727 Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Ot	Gross written premiums		132 455 150 401	125 131 659 281
Less net change in unearned premium reserve (1,409,532,205) (891,002,350) Net earned premiums 126,396,869,494 120,803,249,805 Fee and commission income 33 465,425,969 494,611,400 Net investment income 33 33,732,728,094 32,903,554,60 Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 7,770,010,254 7,245,771,189 Finance cost	·	33		
Less net change in unearned premium reserve (1,409,532,205) (891,002,350) Net earned premiums 126,396,869,494 120,803,249,805 Fee and commission income 33 465,425,969 494,611,400 Net investment income 33 33,732,728,094 32,903,554,60 Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 7,770,010,254 7,245,771,189 Finance cost	Not written promiums		127 806 404 600	424 604 252 455
Net earned premiums 126,396,869,494 120,803,249,805 Fee and commission income 33 465,425,969 494,611,400 Net investment income 33 33,732,728,094 32,903,554,364 Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 29,33 7,770,010,254 7,245,771,189 Finance cost 144,420,091,248 137,780,664,884 Profit before income tax	·			
Fee and commission income 33 465,425,969 494,611,400 Net investment income 33 33,732,728,094 32,903,554,364 Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 31				
Net investment income 33 33,732,728,094 32,903,554,364 Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31	Net earned premiums		126,396,869,494	120,803,249,805
Gains on investment 11,845,789,899 10,767,069,065 Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses 2 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29,33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 31 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31	Fee and commission income	33	465,425,969	494,611,400
Fair value losses (435,651,674) (9,508,527) Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses Expenses 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29,33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Net investment income	33	33,732,728,094	32,903,554,364
Fair value gains on investment property 367,508,727 390,139,827 Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses Expenses 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29,33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Gains on investment		11,845,789,899	10,767,069,065
Other income 33 174,888,510 120,228,214 Total revenues 172,547,559,019 165,469,344,148 Expenses Change in long-term technical reserve 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Fair value losses		(435,651,674)	(9,508,527)
Total revenues 172,547,559,019 165,469,344,148 Expenses Change in long-term technical reserve Gross benefits and claim paid (less) benefits and claim paid recovered from reinsurers 2,866,821,997 26,876,503,549 Met benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid Commissions and brokerages 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Fair value gains on investment property		367,508,727	390,139,827
Expenses Change in long-term technical reserve 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Other income	33	174,888,510	120,228,214
Expenses Change in long-term technical reserve 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814				
Change in long-term technical reserve 2,866,821,997 26,876,503,549 Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29,33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Total revenues		172,547,559,019	165,469,344,148
Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid Commissions and brokerages 100,624,259,434 73,232,054,490 Other underwriting expenses 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Expenses			
Gross benefits and claim paid 27 103,690,359,557 75,364,566,511 Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid Commissions and brokerages 100,624,259,434 73,232,054,490 Other underwriting expenses 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Change in long-term technical reserve		2,866,821,997	26,876,503,549
Less benefits and claim paid recovered from reinsurers 33 (3,066,100,123) (2,132,512,021) Net benefits and claim paid Commissions and brokerages 100,624,259,434 73,232,054,490 Other underwriting expenses 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Gross benefits and claim paid	27	103,690,359,557	75,364,566,511
Net benefits and claim paid 100,624,259,434 73,232,054,490 Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Less benefits and claim paid recovered			. , ,
Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	from reinsurers	33	(3,066,100,123)	(2,132,512,021)
Commissions and brokerages 15,221,387,965 14,081,820,801 Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Not hanafite and claim paid		100 624 250 424	72 222 054 400
Other underwriting expenses 33 17,893,595,012 16,257,975,302 Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	·			
Operating expenses 29, 33 7,770,010,254 7,245,771,189 Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	•	22		
Finance cost 44,016,586 86,539,553 Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814				
Total expenses 144,420,091,248 137,780,664,884 Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814		29, 33		
Profit before income tax 28,127,467,771 27,688,679,264 Income tax expenses 31 5,707,400,438 5,506,446,814	Finance cost		44,010,586	80,539,553
Income tax expenses 31 <u>5,707,400,438</u> <u>5,506,446,814</u>	Total expenses		144,420,091,248	137,780,664,884
Income tax expenses 31 <u>5,707,400,438</u> <u>5,506,446,814</u>	Profit before income tax		28,127,467,771	27,688.679.264
		31		
Net profit 22,420,067,333 22,182,232,450	•		,,,	, , , , , , , , , , , , , , , , , , , ,
	Net profit		22,420,067,333	22,182,232,450

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

	Note	2019	2018
Other comprehensive income (loss)	Note	Baht	Baht
Items that will not be reclassified subsequently to profit or lo	ss.		
Remeasurements of post-employment benefit	<u>50</u>		
obligations	24.1	(429,398,186)	101,476,307
Gains on land and building revaluation		85,378,517	1,024,626,739
Income tax on items that will not be reclassified		, ,	, ,
subsequently to profit or loss		68,803,934	(225,220,609)
Total items that will not be reclassified			
subsequently to profit or loss		(275,215,735)	900,882,437
Items that will be reclassified subsequently to profit or loss			
Change in value of available-for-sale investments		118,305,454,326	(34,704,222,177)
Realised gain from sale of available-for-sale investment		(44.044.000.004)	(40.550.505.454)
and impairment loss transferred to profit or loss		(11,844,026,294)	(10,559,765,171)
Income tax relating to items that will be reclassified subsequently to profit or loss		(21,292,285,606)	9,052,797,470
Subsequently to profit of 1000		(21,232,203,000)	9,032,797,470
Total items that will be reclassified			
subsequently to profit or loss		85,169,142,426	(36,211,189,878)
Other comprehensive income (loss) for			
the year, net of tax		84,893,926,691	(35,310,307,441)
Total comprehensive income (loss) for the year		107,313,994,024	(13,128,074,991)

AIA Company Limited Statement of Changes in Head Office's Equity For the year ended 31 December 2019

		Unrealised gains					
		on changes in fair value of	Remeasurements of post-employment	Gains on land and building		Unappropriated Branch's	Total
	Funds from	investments,	benefit obligations,	revaluation	Other	retained	Head Office's
	Head Office	net of tax	net of tax	net of tax	reserve	earnings	Equity
	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2019	•	52,998,840,193	(1,100,415,482)	819,701,391	82,648,649	88,962,871,234	141,763,645,985
Profit remittances to Head Office	ı	,	•	•	į	(31,727,000,000)	(31,727,000,000)
Employee benefits on share-based payment	ı	ı	ı	1	27,279,104	1	27,279,104
Net profit	ı	ı	1	ı	ı	22,420,067,333	22,420,067,333
Remeasurement of post-employment benefits	•	•	(343,518,549)	•	1	1	(343,518,549)
Gains on land and building revaluation	1	•	1	68,302,814	ľ	•	68,302,814
Unrealised gains on changes in fair value of investments	1	94,644,363,461	ı	ı	ı	1	94,644,363,461
Realised gain from sale of available-for-sale investment							
and impairment loss transferred to profit or loss		(9,475,221,035)	1	1		1	(9,475,221,035)
Ending balance as at 31 December 2019	'	138,167,982,619	(1,443,934,031)	888,004,205	109,927,753	79,655,938,567	217,377,919,113
Beginning balance as at 1 January 2018	1	89,210,030,072	(1,181,596,528)	•	91,151,725	71,600,638,784	159,720,224,053
Profit remittances to Head Office	ı	ı	1	ı	ı	(4,820,000,000)	(4,820,000,000)
Employee benefits on share-based payment	1	ı	ı	•	(8,503,076)	1	(8,503,076)
Net profit	ı	t	ı	ı	ı	22,182,232,450	22,182,232,450
Remeasurement of post-employment benefits	1	ı	81,181,046	ı	1	1	81,181,046
Gains on land and building revaluation	ı	ı	ı	819,701,391	ı	1	819,701,391
Unrealised losses on changes in fair value of investments	1	(27,763,377,742)	l	ı	1	1	(27,763,377,742)
Realised gain from sale of available-for-sale investment							
and impairment loss transferred to profit or loss	'	(8,447,812,137)	1	1	•	1	(8,447,812,137)
Ending balance as at 31 December 2018	1	52,998,840,193	(1,100,415,482)	819,701,391	82,648,649	88,962,871,234	141,763,645,985

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

	Notes	2019 Baht	2018 Baht
Cash flows provided by (used in) operating activities	Notes	Dailt	Dailt
Written premium received from direct insurance		134,908,535,677	128,069,433,507
Fee income		200,522,630	178,972,632
Cash paid for reinsurance		(1,109,132,963)	(997,504,195)
Interest income		31,012,403,307	29,769,539,493
Dividend income		4,396,652,783	3,491,591,889
Investment expenses		(1,829,595,172)	(1,036,098,768)
Cash received (paid) for settlement of derivatives		2,358,332,574	(89,741,445)
Rental income		1,032,206,446	954,632,536
Other income		166,062,589	97,265,082
Gross benefits and claim paid from direct insurance		(93,181,023,711)	(68,288,325,160)
Commissions and brokerages		(15,076,556,023)	(14,177,549,892)
Other underwriting expenses		(17,325,771,148)	(11,741,481,109)
Operating expenses		(6,872,032,542)	(6,311,921,663)
Income tax expense		(4,282,192,416)	(5,063,242,532)
Cash received from investment in securities		119,615,361,366	100,941,680,065
Cash paid for investment in securities		(114,681,436,994)	(119,934,807,451)
Cash received from investment property	16	30,853	-
Cash paid for investments property	16	(72,428,765)	(1,058,573,652)
Cash received from loan repayment		5,213,265,608	5,523,365,022
Cash paid for loan drawdown		(7,354,665,622)	(7,333,371,305)
Cash received from assets held to cover linked liabilities		6,770,514,185	5,292,001,965
Cash paid for assets held to cover linked liabilities		(13,522,905,533)	(12,215,804,587)
Net cash provided by operating activities		30,366,147,129	26,070,060,432
Cash flows provided by (used in) investing activities			
Cash flows provided by:			
Properties and equipment		11,141,703	385,000
Net cash provided by investing activities		11,141,703	385,000
Cash flows used in:			
Properties and equipment	18	(325,731,471)	(547,321,354)
Intangible assets	19	(496,464,880)	(192,754,354)
ŭ		, , , , , , , , , , , , ,	(
Net cash used in investing activities		(822,196,351)	(740,075,708)
Net cash used in investing activities		(811,054,648)	(739,690,708)

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

Baht Baht Baht Baht Baht Baht Baht Cash flows used in: Cash flows used in: (31,727,000,000) (4,820,000,000) (15,400,000,000) Principal repayment of borrowing ———————————————————————————————————		2019	2018
Cash flows used in: Remittances to Head Office (31,727,000,000) (4,820,000,000) Principal repayment of borrowing - (15,400,000,000) Finance cost (44,016,586) (107,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842		Baht	Baht
Remittances to Head Office (31,727,000,000) (4,820,000,000) Principal repayment of borrowing - (15,400,000,000) Finance cost (44,016,586) (107,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842	Cash flows provided by (used in) financing activities		
Principal repayment of borrowing - (15,400,000,000) Finance cost (44,016,586) (107,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842	Cash flows used in:		
Finance cost (44,016,586) (107,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842	Remittances to Head Office	(31,727,000,000)	(4,820,000,000)
Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842	Principal repayment of borrowing	-	(15,400,000,000)
Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842	Finance cost	(44,016,586)	(107,155,882)
Net cash used in financing activities (31,771,016,586) (20,327,155,882) Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842			
Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842	Net cash used in financing activities	(31,771,016,586)	(20,327,155,882)
Net increase (decrease) in cash and cash equivalents (2,215,924,105) 5,003,213,842			
	Net cash used in financing activities	(31,771,016,586)	(20,327,155,882)
Cash and cash equivalents at beginning of year 7,769,489,147 2,766,275,305	Net increase (decrease) in cash and cash equivalents	(2,215,924,105)	5,003,213,842
	Cash and cash equivalents at beginning of year	7,769,489,147	2,766,275,305
Cash and cash equivalents at end of year 5,553,565,042 7,769,489,147	Cash and cash equivalents at end of year	5,553,565,042	7,769,489,147

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 10 March 2020.

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 judgement in the process of applying the Branch's accounting policies. The areas involving a higher degree of judgement, 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 The Branch has applied the following standard and amendments for the first time for their annual reporting commencing 1 January 2019

TAS 28 (revised 2018)	Investments in associates and joint ventures
TAS 40 (revised 2018)	Investment Property
TFRS 2 (revised 2018)	Share-based Payment
TFRS 4 (revised 2018)	Insurance Contracts
TFRS 15	Revenue from contracts with customers
TFRIC 22	Foreign Currency Transactions and Advance
	Consideration

TAS 28 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 clarifies 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.

The amendments made to TFRS 2 clarifies:

- The measurement basis for cash-settled share-based payments; and
- The accounting for modifications that change an award from cash-settled to equity-settled.

They also introduce an exception to the classification principles in TFRS 2. 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 amount will be treated as if it is equity-settled. Previously the tax portion was accounted for as cash-settled.

TFRS 4 has been amended to provide insurance companies an optional temporary 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 as issued by the Federation of Accounting Professions until TFRS 17 becomes effective.

TFRS 15 provides the requirements for the revenue recognition. The 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.

TFRIC 22 clarifies how to determine the date of the transaction for the exchange rate to be used on initial recognition of the related asset, expense or income when an entity pays or receives consideration in advance for foreign currency-denominated contracts.

The Branch has adopted these standards for the current period. The above standards do not have significant impact on the Branch.

3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch.

3.2.1 Financial instruments

The new financial reporting standards relate to financial instruments are:

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

These new standards address the classification, measurement and derecognition of financial assets and financial liabilities, impairment of financial assets, hedge accounting, and presentation and disclosure of financial instruments.

On 1 January 2020, the Branch passes criteria of temporary exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts. The Branch is eligible to apply the 'financial instruments and disclosures for insurance companies' accounting guidance' ('The Accounting Guidance'). From the preliminary assessment, the management expects that the Branch will be affected on the following areas.

Classification and measurement

Classification and measurement of investments in non-marketable equity instruments, currently classified as general investments and presented at cost less impairment, will be reclassified to available-for-sale investments and remeasured to fair value in accordance with the accounting policy disclosed in Note 3.7 and recognised with a corresponding adjustment as of 1 January 2020.

Derivatives for hedging of transactions which are currently measured on an accrual basis as disclosed in Note 3.22 and are not applied hedge accounting will be re-measured at fair value to profit or loss.

Financial instruments with embedded derivatives are derivatives embedded within other non-derivatives host financial statements to create hybrid instruments. They are currently classified as available-for-sales in accordance with the accounting policy disclosed in Note 3.7. Under the Accounting Guidance, where the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host instruments, the hybrid instrument will be measured at fair value to profit or loss.

- 3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch. (Cont'd)
 - 3.2.1 Financial instruments (Cont'd)

Impairment

The impairment requirements relating to the accounting for an entity's expected credit losses on its investment in debt securities classified as held-to-maturity investments and available-for-sale investments. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. The entity always accounts for expected credit losses which involves a three-stage expected credit loss impairment model. The stage dictates how the entity measures impairment losses and applies the effective interest rate method. In which, the three-stage expected credit loss impairment will be as the following stages:

- Stage 1 from initial recognition of a financial assets to the date on which the credit risk of the asset has not increased significantly relative to its initial recognition, a loss allowance is recognised equal to the credit losses expected to result from defaults occurring over the next 12 months.
- Stage 2 following a significant increase in credit risk relative to the initial recognition of the financial assets, a loss allowance is recognised equal to the credit losses expected over the remaining life of the asset.
- Stage 3 When a financial asset is considered to be credit-impaired, a loss allowance equal to full lifetime expected credit losses is to be recognised.

As a consequence, the method of impairment loss calculation will be changed from an incurred loss basis to the expected credit loss impairment calculated by Branch's model with taking effect of forward-looking adjustment. The expected credit loss will be recognised in profit or loss.

Hedge accounting

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.

The Branch currently does not apply hedge accounting.

3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch. (Cont'd)

3.2.1 Financial instruments (Cont'd)

Transitional impact

On 1 January 2020, the Branch will apply the 'financial instruments and disclosures for insurance companies' accounting guidance'. The transition adjustment will be recognised as an adjustment to the opening balance of retained earnings. From the preliminary assessment, management expects that the material adjustment to the opening balance of retained earnings will affect on the following items:

- Change in balance of general investment which its subsequent measurement will change from at cost less impairment to at fair value through other comprehensive income.
- Change in balance of derivative assets and liabilities from accrual basis to be remeasured at fair value to profit or loss
- Change in method of impairment loss calculation of held-to-maturity and available-for-sale investments in debt instruments under The Accounting Guidance.

The Branch's management is currently assessing the quantitative impact of the first-time adoption of the accounting guidance.

3.2.2 TFRS 16 Leases

TFRS 16 will result in almost all leases, where the Branch is a lessee, being recognised on the statement of financial position as the distinction between operating and finance lease is removed. An asset (the right to use the leased item) and financial liability to pay rentals are recognised, with exception on short-term and low-value leases.

On 1 January 2020, the Branch will apply TFRS 16 Leases with modified retrospective approach. From the preliminary impact assessment, the management expects that the Branch will be materially affected by this financial reporting standard from the recognition of right-of-use assets and lease liabilities under building and land lease agreements, which were previously classified as 'operating lease' under TAS 17 Leases.

The Branch will recognise following items upon adoption of TFRS 16 including:

- liabilities under lease agreements are recognised in accordance with the obligations and discounting to present values with incremental borrowing rates of the lessees and;
- right-of-use assets are recognised equal to the present value of liabilities under the lease agreements adjusted by any lease prepayments made at or before the commencement date and
- adjust opening retained earnings of the Branch from the reversal of accrued lease expenses arising from the recognition of the rental expense under a straight-line method over the term of lease agreements.

The Branch's management is currently assessing the quantitative impact of the first-time adoption of TFRS 16 Lease.

3.2 New and amended financial reporting standards that are effective for accounting period beginning on or after 1 January 2020 and have not been early adopted by the Branch. (Cont'd)

3.2.3 Other new and amended standards

The new and amended financial reporting standards that are relevant to the Branch are:

TAS 12	Income tax
TAS 19	Employee benefits
TAS 23	Borrowing cost
TFRIC 23	Uncertainly over income tax treatments

TAS 12 clarifies that the income tax consequences of dividends of financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised.

TAS 19 clarifies accounting for defined benefit plan amendments, curtailments and settlements that the updated assumptions on the date of change are applied to determine current service cost and net interest for the remainder of the reporting period after the plan amendment, curtailment or settlement.

TAS 23 clarifies that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

TFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- that the Branch should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored.
- that the Branch should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment.
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

3.3 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 and presentation 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 at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Any exchange component of gains and losses on a non-monetary item that recognised in profit or loss, or other comprehensive income is recognised following the recognition of a gain or loss on the non-monetary item.

3.4 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.

3.5 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.

3.6 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. Premium ceded and claim 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.

3.7 Investment in securities

Investment in debt and equity securities

Investment other than investment 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.

3.7 Investment in securities (Cont'd)

Investment in debt and equity securities (Cont'd)

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 investment in debt securities are classified as fair value gains or losses on investment.

Investment 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 14).

Investment in associates are accounted for using the cost method. Income from investment 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.

3.8 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.

3.9 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.

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.

3.10 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.

3.11 Property, plant and equipment

Land and buildings comprise mainly offices and are shown at fair value, based on valuations by external independent valuer 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.

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 of 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.

3.12 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.

3.13 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.

3.14 Accounting for leases

3.14.1 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 (net of any incentives received from the lessor) 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.

At the inception of finance lease, the lower of the fair value of the leased property and the present value of the minimum lease payments is capitalised. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the liabilities balance outstanding. The corresponding rental obligations is presented net of finance charges. Finance cost is charged to profit or loss over the lease period.

3.14 Accounting for leases (Cont'd)

3.14.2 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.

3.15 Insurance and investment contract

3.15.1 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, TFRS 15, Revenue from Contracts with Customer, are applied.

TFRS 4 (revised 2018) 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.

3.15 Insurance and investment contract (Cont'd)

3.15.2 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.

3.15 Insurance and investment contract (Cont'd)

3.15.2 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.

3.15.3 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.

3.16 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.17 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 profit or loss.

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.

3.18 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.

3.19 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.

3.20 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.

3.20 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.

3.21 Financial instruments

Financial assets carried on the statement of financial position include cash and cash equivalents, accrued income on investments, derivative assets, investments in securities, mortgage loans, assets held to cover linked liabilities, and certain balances included in other assets. Financial liabilities carried on the statement of financial position include borrowing and certain balances included in other liabilities. The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

3.22 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 reporting date, the accrued interest receivable or payable is recorded as part of "Accrued income on investments" in the statement of financial positions at specific interest rate on these contracts.

3.23 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.

3.24 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 pandamics 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

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)

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 certain balances in other assets)
- Derivative contracts

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 2019 Financial assets				
Cash and cash equivalents Accrued income on	1,214,364	285,000	4,054,201	5,553,565
investments	-	-	5,142,295	5,142,295
Investment in securities, net	. -	751,723,778	128,468,579	880,192,357
Loans, net	-	32,240,355	-	32,240,355
Assets held to cover linked liabilities			27,720,158	27,720,158
Total financial assets	1,214,364	784,249,133	165,385,233	950,848,730
Financial liabilities				
Investment liabilities	-	-	716,019	716,019
Other liabilities (partial)	10,698,631	_	-	10,698,631
Total financial liabilities	10,698,631	-	716,019	11,414,650

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)

rates de fellewe. (Com a)	Variable interest rate Thousand Baht	Fixed interest rate Thousand Baht	Non-interest bearing Thousand Baht	Total Thousand Baht
As at 31 December 2018 Financial assets				
Cash and cash equivalents Accrued income on	826,819	464,000	6,478,670	7,769,489
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
Financial liabilities				
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

4.2.3 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 12.

The accounting treatment for derivative financial instruments as recorded in this financial statement is disclosed in Note 3.22.

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 13.

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 2019 and 2018.

	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
As at 31 December 2019				
Assets Investment in securities				
Trading securities Available-for-sale securities	457	-	-	457
Debt securities	-	700,223,778	-	700,223,778
Equity securities Assets held to cover	127,533,769	-	-	127,533,769
linked liabilities	27,720,158	-	-	27,720,158
Investment property	-	-	16,849,643	16,849,643
Land and building			1,201,000	1,201,000
Total assets	155,254,384	700,223,778	18,050,643	873,528,805
As at 31 December 2018 Assets				
Investment in securities Trading securities	998	_	_	998
Available-for-sale securities	330			330
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	122,968,201	610,031,820	17,577,192	750,577,213

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 16 and 18, respectively. The Branch engaged an external independent and qualified appraiser to determine the fair value of the investment property and land and buildings. 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 <i>A</i>	Available-for-sale Available-for-sale	
	equity security 2019	equity security 2018	
	Thousand	Thousand	
	Baht	Baht	
Beginning balance as at 1 January	10,192	22,254	
Disposals			
Book value	(31,675)	-	
Loss recognised in profit or loss	21,483	-	
Net Carrying value at transfer date	-	22,254	
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)	
Clasing balance as at 21 December	_	10,192	
Closing balance as at 31 December		10,132	

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 2019 Assets for which the fair value is disclosed Financial assets				
Derivative assets Investment in securities	-	15,223,677	-	15,223,677
Held to maturity General investments Mortgage loans, net	- - -	51,500,000 - 1,462,409	1,700,558	51,500,000 1,700,558 1,462,409
Total asset for which the fair value is disclosed	-	68,186,086	1,700,558	69,886,644
Liabilities for which the fair value is disclosed Financial liabilities Investment liabilities Derivative liabilities	- -	- 3,569,490	716,019 -	716,019 3,569,490
Total liabilities for which the fair value is disclosed	-	3,569,490	716,019	4,285,509

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 2018 Assets for which the fair value is disclosed Financial assets				
Derivative assets Investment in securities	-	6,816,439	-	6,816,439
Held to maturity General investments Mortgage loans, net	- - -	55,800,000 - 1,487,647	4,004,091	55,800,000 4,004,091 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 Derivative liabilities	- -	- 1,139,250	1,619,936	1,619,936 1,139,250
Total liabilities for which the fair value is disclosed	-	1,139,250	1,619,936	2,759,186

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 3.7.

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 judgements

Estimates and judgements 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 judgement 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 3.15.1.

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 judgement 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 judgements (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, No.3 B.E 2558 and No.4 B.E 2562 for the purpose of assessing the solvency capital requirement.

8. Cash and cash equivalents

	2019 Thousand Baht	2018 Thousand Baht
Cash on hand Deposits held at call with banks and financial institutions Short-term investments	23,821 2,785,010 2,744,734	6,259 2,969,970 4,793,260
Cash and cash equivalents	5,553,565	7,769,489

9. Premium receivables

The balances of premium receivables were aged as follows:

	From direct insurance		
	2019 Thousand Baht	2018 Thousand Baht	
Current Overdue	6,039,061	5,321,303	
Not over 30 days	1,118,250	1,244,653	
31 - 60 days	10,211	16,690	
61 - 90 days	5,758	7,773	
Over 90 days	5,258	6,325	
Total premium receivables	7,178,538	6,596,744	

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

10. Reinsurance assets

The details of reinsurance assets are as follows:

	2019 Thousand Baht	2018 Thousand Baht
Claim reserve (Note 33 (b))	-	30,270
Claim incurred but not reported	141,030	177,912
Unearned premium reserve	85,780	86,458
Others (Note 33 (b))	4,723	4,784
Total reinsurance assets	231,533	299,424

11. Amount due from reinsurance

The details of amount due from reinsurance are as follows:

	2019 Thousand Baht	2018 Thousand Baht
Due from reinsurance (Note 33 (b))	628	1,906
Total amount due from reinsurance	628	1,906
The amount due from reinsurance was aged as follows:		
	2019	2018
	Thousand Baht	Thousand Baht
Current Overdue	Thousand	Thousand
	Thousand Baht	Thousand Baht

12. Derivative assets and liabilities

The details of derivative assets are as follows:

2	በ	1	Q

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	303	101,052,858	7,054,202
Interest rate swap	Closing position of floating interest rate	342		-
Total		645	101,052,858	7,054,202
	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			

The details of derivative liabilities are as follows:

Total

2019

306 543

76,793,657

2,896,345

floating interest rate

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	12	6,090,108	61,769
Total		12	6,090,108	61,769
	2018			
	·		Notional value	Book value

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

As at 31 December 2019, 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 3,181 million and Euro 108 million (As at 31 December 2018: U.S. Dollar 3,119 million and Euro 21 million) which were comprised of effective contracts of U.S. Dollar 3,040 million and Euro 108 million and non-effective contracts of U.S. Dollar 141 million (As at 31 December 2018: effective contracts of U.S. Dollar 3,063 million and Euro 21 million and non-effective contracts of U.S. Dollar 56 million).

13. Investment in securities, net

The details of investment in securities are as follows:

	20	19	201	18
	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht
Trading securities				
Private enterprise debt securities	464	457	1,600	998
Total (<u>Less)</u> Unrealised loss	464 (7)	457 -	1,600 (602)	998
Total trading securities	457	457	998	998
Available-for-sale securities Government and state enterprise securities	407,064,573	520,386,359	434,240,333	451,184,087
Private enterprise debt securities Foreign debt securities Equity securities	67,147,872 97,150,718 96,497,453	71,950,035 107,887,384 127,533,769	58,018,013 102,627,199 69,784,592	59,711,871 98,168,453 103,298,382
Total <u>Add</u> Unrealised gain <u>Less</u> Provision for impairment	667,860,616 160,502,283 (605,352)	827,757,547 - -	664,670,137 48,378,341 (685,685)	712,362,793 - -
Total available-for-sale, net	827,757,547	827,757,547	712,362,793	712,362,793
Held-to-maturity securities Promissory notes Deposit with financial institutions with maturity over 3 months	51,500,000	51,500,000	51,500,000 4,300,000	51,500,000 4,300,000
Total held-to-maturity securities	51,500,000	51,500,000	55,800,000	55,800,000
General investments Equity securities	934,353	1,700,558	932,799	4,004,091
Total general investment	934,353	1,700,558	932,799	4,004,091
Total investment in securities, net	880,192,357	880,958,562	769,096,590	772,167,882

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

During the year 2019, the Branch had revenue recognised relating to investment as follows:

- Interest income and dividend income from investments amounting to Baht 27,816 million and Baht 4,497 million, respectively (2018: Baht 28,108 million and Baht 3,513 million, respectivel).
- Consideration received from selling investments totalling Baht 119,615 million (2018: Baht 100,942 million) and gain from selling investments totalling Baht 11,764 million (2018: Baht 11,128 million).

As at 31 December 2019, 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 205,970 million (As at 31 December 2018: Baht 154,899 million).

As at 31 December 2019, the Branch had no government bonds under obligations of Securities Borrowing and Lending with Bank of Thailand (As at 31 December 2018: Baht 11,033 million).

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 2019, 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 12,346 million (Baht 9,877 million, net of tax) (As at 31 December 2018: Baht 18,102 million (Baht 14,482 million, net of tax)) and the amortised cost of the transferred debt securities equaled to Baht 83,032 million (As at 31 December 2018: Baht 125,194 million). For the year ended 31 December 2019, the realised gain from partial sale of reclassified debt securities was Baht 5,043 million (2018: Baht 413 million).

AIA Company Limited Notes to the Financial Statements For the year ended 31 December 2019

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

13.1 The maturity of debt securities

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

							Unit: Th	Unit: Thousand Baht
			2019			2	2018	
		Maturing within	nin		4	Maturing within	in	
	1 year	1 - 5 years	- 5 years Over 5 years	Total	1 year	1 - 5 years	Over 5 years	Total
<u>Available-for-sale</u>								
Government and state enterprise securities Government bonds State enterprise bonds	3,305,215 1,056,382	69,098,801 8,385,174	311,865,570 13,353,431	384,269,586 22,794,987	15,090,151 10,601	72,329,282 8,619,623	327,390,409 10,800,267	414,809,842 19,430,491
Total <u>Add (Less)</u> Unrealised gain (loss)	4,361,597 (227,882)	77,483,975 750,477	325,219,001 112,799,191	407,064,573 113,321,786	15,100,752 (720,831)	80,948,905 (511,719)	338,190,676 18,176,304	434,240,333 16,943,754
Total	4,133,715	78,234,452	438,018,192	520,386,359	14,379,921	80,437,186	356,366,980	451,184,087
Private enterprise securities Bill of exchanges Debentures	296,336 1,559,114	13,268,227	52,024,195	296,336 66,851,536	253,539	291,229 10,520,160	-46,953,085	291,229 57,726,784
Total Add (Less) Unrealised gain (loss) Less Allowance for impairment	1,855,450 (792) (100,000)	13,268,227 872,591	52,024,195 4,030,364	67,147,872 4,902,163 (100,000)	253,539 4,593 (100,000)	10,811,389 473,021	46,953,085 1,316,244	58,018,013 1,793,858 (100,000)
Total	1,754,658	14,140,818	56,054,559	71,950,035	158,132	11,284,410	48,269,329	59,711,871

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

13.1 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)

							Unit: Th	Unit: Thousand Baht
		20	2019			20	2018	
		Maturing within	n			Maturing within	<u> </u>	
	1 year	1 - 5 years	Over 5 years	Total	1 year	1 - 5 years	Over 5 years	Total
Available-for-sale (Cont'd)								
Foreign securities Bonds	1	53 831	17 698 822	17 752 653	1	58 336	18 052 825	18 111
State enterprise bonds	790,000	5,418,363	30,349,302	36,557,665	987,746	5,697,480	37,135,270	43,820,496
Debentures	29,967	6,466,165	36,344,268	42,840,400	1	1,087,269	39,608,273	40,695,542
Total	819,967	11,938,359	84,392,392	97,150,718	987,746	6,843,085	94,796,368	102,627,199
Add (Less) Unrealised gain (loss)	8,658	239,241	10,488,767	10,736,666	(42,464)	(64,489)	(4,351,793)	(4,458,746)
Total	828,625	12,177,600	94,881,159	107,887,384	945,282	6,778,596	90,444,575	98,168,453
Total available-for-sale, net	6,716,998	104,552,870	588,953,910	700,223,778	15,483,335	98,500,192	495,080,884	609,064,411
Held-to-maturity								
Government and state enterprise securities								
Promissory notes	1	1	51,500,000	51,500,000	1	1	51,500,000	51,500,000
Total	1	1	51,500,000	51,500,000	ı	1	51,500,000	51,500,000
Private enterprise securities					000			000
Offers	'	1	1	1	4,300,000	t	1	4,300,000
Total	1	1	1	1	4,300,000	4	1	4,300,000
Total held-to-maturity	1	1	51,500,000	51,500,000	4,300,000	1	51,500,000	55,800,000
Total investment in debt securities, net	6,716,998	104,552,870	640,453,910	751,723,778	19,783,335	98,500,192	546,580,884	664,864,411

14. Investment in associates

The Branch has interests in an immaterial associate.

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

		Ownership	interest	Cost me	ethod
Associates	Type of business	2019	2018 %	2019 Thousand Baht	2018 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 investment in associate is 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 2018) "Investment in Associates and Joint Ventures".

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

AIA Company Limited Notes to the Financial Statements For the year ended 31 December 2019

15. Loans, net

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

				2019				Unit: Tho	Unit: Thousand Baht
	Policy loans	ans	Mortgage loans	e loans	Loans to employees	mployees	Total		
		Accrued	•	Accrued		Accrued		Accrued	
	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest	Total
Outstanding period	20 777 06	9000 675	4 407 640	900			0.00	000	22 400 040
Overdue	046,777,00	030,080	5.0,754,1	000	ı	•	52,215,559	107,180	33, 100,040
Less than 3 months	1	1	227	_	ı	ı	227	_	228
3 - 6 months	•	•	3,056	1	•	Ì	3,056	1	3,056
6 - 12 months	1	1		1	1	1	•	1	1
More than 12 months		1	30,160	1	1	-	30,160	•	30,160
Total	30,777,946	890,675	1,471,056	209	•	1	32,249,002	891,282	33,140,284
Less Allowance for doubtful accounts	1	1	(8,647)	8	•	•	(8,647)		(8,647)
Loans and accrued interests, net	30,777,946	890,675	1,462,409	209		•	32,240,355	891,282	33,131,637
				2018				Unit: Tho	Unit: Thousand Baht
	Policy loans	oans	Mortgage loans	loans	Loans to employees	mployees	Total		
		Accrued		Accrued		Accrued		Accrued	
	Principle	Interest	Principle	Interest	Principle	Interest	Principle	Interest	Total
Outstanding period									
Current Overdue	29,670,054	871,117	1,462,726	1,090	o	ı	31,132,789	872,207	32,004,996
Less than 3 months	1	1	648	7	1	ı	648	7	655
3 - 6 months	1	•	1,066	1	1	ı	1,066	1	1,066
6 - 12 months	•		İ	,	1	1	•	1	1
More than 12 months	1	1	32,284	•	•	'	32,284	1	32,284
Total	29,670,054	871,117	1,496,724	1,097	0	1	31,166,787	872,214	32,039,001
Less Allowance for doubtful accounts	1	1	(9,077)	1	1	1	(9,077)	1	(9,077)
Loans and accrued interests, net	29,670,054	871,117	1,487,647	1,097	6	1	31,157,710	872,214	32,029,924

AIA Company Limited
Notes to the Financial Statements
For the year ended 31 December 2019

16. Investment property

			2019	19		Unit	Unit: Thousand Baht
			Cost/Fair value	ir value			
	Beginning		For the year	e year			Ending
	balance 1 January 2019	Additions from acquisition and capitalised subsequent expenditures	Write-off	Disposal	Reclassify	Fair value gain	balance 31 December 2019
Land Buildings and improvements	8,790,000	72,429	' '	(31)	(263)	750,000	9,540,000 7,309,643
Total	16,410,000	72,429	1	(31)	(263)	367,508	16,849,643
			2018	8		n	Unit: Thousand Baht
			Cost/Fa	Cost/Fair value			
	Beginning		For th	For the year			Ending
	balance 1 January	Additions from acquisition and capitalised	39 7777		:	Fair value	balance 31 December
	2018	subseduent expenditures	Write-Oil	Disposal	Reclassity	gaın	2018
Land	6,595,000	1,020,235	, (7.7)	•	- (100)	1,174,765	8,790,000
Buildings and improvements	8,405,000	38,339	(6/5,5)	1	(33,135)	(784,625)	7,620,000
Total	15,000,000	1,058,574	(5,579)	1	(33,135)	390,140	16,410,000

In 2019, 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 2019, the investment property generated rental income amounting to Baht 1,016 million (31 December 2018: Baht 923 million) and its direct operating expenses (including repair and maintenance) arise from investment property that generated rental income amounting to Baht 290 million (31 December 2018: Baht 287 million).

17. Assets held to cover linked liabilities

	2019 Thousand Baht	2018 Thousand Baht
Investment in mutual funds - debt securities Investment in mutual funds - equity securities	8,456,338 19,263,820	6,130,555 14,515,867
Total	27,720,158	20,646,422

18. Property, plant and equipment

		od/tac)	doiteuley			2019		200	poteriumi	vitaiooraop	9	Unit : Thot	Unit: Thousand Baht
COSURE	COSURE		Costrevaluation					AC	Accumulated depreciation	depreciation	uo.		
For the year	For the y	e	ear			Ending	Beginning		For the year	year		Ending	
					Gain on 3	balance Gain on 31 December	balance 1 January Depreciation	preciation			Revaluation (balance Revaluation 31 December	Property, plant and
Addition Write-off Disposal Transfer Rec	sposal Transfe	Transfe	™	Reclassify	revaluation	2019	2019	charge	Write-off Disposal	Disposal	adjustment	2019	equipment
•	•			1	3,000	463,000	•	1	•	1	•	1	463,000
		•		•	41,000	738,000	ı	41,379	1	1	(41,379)	ı	738,000
21,121 (171,490) (38,077) 579,544		579,544		263	1	2,424,622	1,647,013	151,335	(171,475) (36,311)	(36,311)	1	1,590,562	834,060
(1,921) (35,930) - (23,040) -	5,930) -	' '		, ,	1 1	996,294 33.018	803,475 33,218	76,910	(1,921)	(1,921) (35,927)	1 1	842,537 15,896	153,757
(579,544)		579,544		'	1			-	1		1	'	'
325,731 (173,411) (97,047)	7,047)		. 11	263	44,000	4,654,934	2,483,706	275,341	(173,396)	(95,277)	(41,379)	2,448,995	2,205,939

In 2019, the Branch engaged an external independent and qualified appraiser to determine the fair value of the land and buildings as of 31 December 2019. 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, as at 31 December 2019, the carrying value would be Baht 50 million and Baht 73 million, respectively (31 December 2018: Baht 53 million and Baht 80 million, respectively).

AIA Company Limited Notes to the Financial Statements For the year ended 31 December 2019

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

and Baht			Property, plant and equipment	460,000	000'269	386,248	153,377 18,591	356,476	2,071,692
Unit: Thousand Baht		Ending	9	ı	1	1,647,013	803,475 33,218	'	2,483,706
	_		balance Revaluation 31 December adjustment 2018	1	(620,314)	,	1 1	•	(620,314)
	Accumulated depreciation	year	Disposal	ı	1	(27,521)	(28,529)	1	(56,050)
	cumulated	For the year	Write-off		ı	(20,935)	(5,587)	-	(26,522)
	Ac		Depreciation charge	1	7,435	112,860	46,192 3,857	-	170,344
		Beginning	balance 1 January 2018	•	612,879	1,582,609	791,399 29,361	1	3,016,248
2018		Ending	balance Gain on 31 December aluation 2018	460,000	697,000	2,033,261	956,852 51,809	356,476	4,555,398
			Gain on crevaluation	407,363	(3,050)	1	1 1	'	404,313
			اح.	•	•	1	1 1	1	1
	Cost/Revaluation	For the year	Addition Write-off Disposal Transfer Reclassif	i	1	39,514	1 1	(39,514)	'
	Cost/R	Fort	Disposal	•	1	22,316 (20,936) (28,586)	(8,843) (28,538)	1	(57,124)
			Write-off	•	1	(20,936)		1	547,321 (29,779) (57,124)
				•	•	22,316	131,167 11,799	382,039	547,321
		Beginning	balance 1 January 2018	52,637	700,050	2,020,953	863,066 40,010	13,951	3,690,667
				Land Buildings and	improvements	fixtures and equipment Computer	hardware Motor vehicles	in progress	Total

19. Intangible assets

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

						2019					Unit: Thousand Baht	and Baht
				Cost					Accumulated amortisation	amortisation		
	Beginning			For the year	_		Ending	Beginning	For the year	year	Ending	
	balance 1 January 2019	Addition	Addition Write-off	Transfer	Reclassify	Adjustment	balance 31 December 2019	balance 1 January 2019	Amortisation charge	Write-off	balance 31 December 2019	Intangible assets
Computer software Other	1,460,521	6,521	(3,575)	97,393	1 1	' '	1,560,860	950,083 72.671	140,512	(1,191)	1,089,404	471,456
Work in progress	187,838	439,944	•	(97,393)	1	1	530,389	.		1	1	530,389
Total	1,721,030	496,465	(3,575)	1	1	1	2,213,920	1,022,754	150,512	(1,191)	1,172,075	1,041,845
						2018					Unit: Thousand Baht	and Baht
				Cost					Accumulated amortisation	amortisation		
	Beginning			For the year	ľ		Ending	Beginning	For the year	year	Ending	
	balance 1 January 2018	Addition	Write-off	Transfer	Reclassify	Adjustment	balance 31 December 2018	balance 1 January 2018	Amortisation charge	Write-off	balance 31 December 2018	Intangible assets
Computer software	1,429,806	105,294	(225,244)	150,665	1	1	1,460,521	1,048,734	126,588	(225,239)	950,083	510,438
Otner Work in progress	238,412	87,460	' '	(150,665)	33,135	(20,504)	187,838	176,00	06/11	1 1	1/9/7/	187,838
Total	1,740,889	192,754	(225,244)	1	33,135	(20,504)	1,721,030	1,109,655	138,338	(225,239)	1,022,754	698,276

20. Other assets

	2019 Thousand Baht	2018 Thousand Baht
Prepaid leasehold (Note 33 (b)) Deposits (Note 33 (b)) Amounts due from a related party (Note 33 (b)) Receivables from sale of investments Others	321,501 152,473 29,518 1,201,309 202,803	349,408 153,022 104,064 1,457,134 241,594
Total	1,907,604	2,305,222

AIA Company Limited Notes to the Financial Statements For the year ended 31 December 2019

21. Insurance liabilities

					Unit:	Unit: Thousand Baht
		2019			2018	
		Liabilities			Liabilities	
	Insurance contract liabilities	recovered from reinsurance	Net	Insurance contract liabilities	recovered from reinsurance	Net
Long-term technical reserves	575,116,690	1	575,116,690	572,249,868		572,249,868
Claim liability - Reported claim	1,330,646	(4,723)	1,325,923	1,414,329	(35,054)	1,379,275
- Claim incurred but not reported	707,662	(141,030)	566,632	1,167,892	(177,912)	989,980
Premium liability	700 040	(001 40)	040.040	070	(00, 450)	000
- Unearned premium reserve	10,720,248	(82,780)	10,640,468	15,316,716	(80,438)	527,057,CI
Onpaid poincy benefits Due to insured	309,602 102,733,744	1 1	303,802 102,733,744	332,774 89,763,140	1 1	332,774 89,763,140
Total	697,004,792	(231,533)	696,773,259	680,244,719	(299,424)	679,945,295

21. Insurance liabilities (Cont'd)

21.1 Long-term technical reserves

The movement details are below:

	2019 Thousand Baht	2018 Thousand Baht
Beginning balance for the year Policy reserve movement for new policies	572,249,868	545,373,364
and inforce policies during the year Net movement in benefits payable to life policyholders for death, maturity,	69,619,956	69,396,913
surrenders, other policyholders benefits and claims Others	(67,036,685) 283,551	(42,398,671) (121,738)
Closing balance at the end of year	575,116,690	572,249,868

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. There is no any impact of the assumption sensitivities on the carrying amount of traditional life insurance liabilities as the sensitivities would not have triggered a liability adequacy adjustment. 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:

	2019 Thousand Baht	2018 Thousand Baht
Repayment within 1 year Repayment between 1-5 years Repayment over 5 years	84,245,578 289,828,767 1,478,931,620	79,904,481 315,617,260 1,397,977,949
Total	1,853,005,965	1,793,499,690

21. Insurance liabilities (Cont'd)

21.2 Short-term technical reserves

21.2.1 Claim liability

The movement details are below:

	2019 Thousand Baht	2018 Thousand Baht
Beginning balance for the year	2,582,221	2,602,941
Insurance claims and loss adjustment expenses incurred during the year Changes in claim reserve from change	21,411,110	19,128,566
in assumption during the year Insurance claims and loss adjustment	(460,230)	105,680
expenses paid during the year	(21,494,793)	(19,254,966)
Closing balance at the end of year	2,038,308	2,582,221

21.2.2 Unearned premium reserve

	2019 Thousand Baht	2018 Thousand Baht
Beginning balance for the year Premium written for the year Premium earned in the year	15,316,716 38,669,607 (37,260,075)	14,425,714 35,453,907 (34,562,905)
Closing balance at the end of year	16,726,248	15,316,716

21. Insurance liabilities (Cont'd)

21.3 Claim Development Table

21.3.1 Claim development table before reinsurance

			2019	0	Unit: Th	Unit: Thousand Baht
			Incident Year	Year		
	2015	2016	2017	2018	2019	Total
Reported Year Estimated claim:						
- At the end of the year	14,247,199	16,110,282	15,834,464	17,655,175	20,610,585	84,457,705
- After 1 year	14,931,345	16,804,113	16,443,759	18,116,505	ı	66,295,722
- After 2 year	14,948,128	16,812,461	16,452,979	1	1	48,213,568
- After 3 year	14,952,601	16,814,578	1	ı	ı	31,767,179
- After 4 year	14,956,059	1	1	1	1	14,956,059
Absolute estimated claim	14,956,059	16,814,578	16,452,979	18,129,935	21,233,741	87,587,292
Cumulative claim paid	14,956,059	16,814,578	16,452,979	18,116,505	19,279,939	85,620,060
Total claim reserve	ı	1	1	13,430	1,953,802	1,967,232
methodology	1	1	ı	1	71,076	71,076
Total claim liability	1	1	ı	13,430	2,024,878	2,038,308

21. Insurance liabilities (Cont'd)

21.3 Claim Development Table (Cont'd)

21.3.2 Claim development table after reinsurance

			2019	6	Unit: Th	Unit: Thousand Baht
			Incident Year	t Year		
	2015	2016	2017	2018	2019	Total
Reported Year Estimated claim:						
At the end of the year	13,683,799	15,352,302	15,018,905	16,744,856	19,595,175	80,395,037
- After 1 year	14,291,450	15,962,515	15,543,417	17,145,183		62,942,565
- After 2 year	14,306,303	15,967,931	15,551,137	l	ı	45,825,371
- After 3 year	14,308,660	15,970,058	1	ı	ı	30,278,718
- After 4 year	14,311,564	1	•	1	ı	14,311,564
Absolute estimated claim	14,311,564	15,970,058	15,551,137	17,152,529	20.086.867	83.072.155
Cumulative claim paid	14,311,564	15,970,058	15,551,137	17,145,183	18,269,252	81,247,194
Total claim reserve Claim liability under other IBNR	1	I	1	7,346	1,817,615	1,824,961
methodology	'	1	1	1	67,594	67,594
Total claim liability	1	ţ.	•	7,346	1,885,209	1,892,555

21. Insurance liabilities (Cont'd)

21.4 Unpaid policy benefits

The details are as below:

	2019 Thousand Baht	2018 Thousand Baht
Death benefits	389,802	332,774
Total	389,802	332,774

21.5 Due to insured

The details of due to insured are presented below:

	2019 Thousand Baht	2018 Thousand Baht
Deposits from insurance contracts Account value of universal life insurance contracts Account value of unit linked insurance contracts	64,435,076 10,578,510 27,720,158	58,233,492 10,883,226 20,646,422
Total	102,733,744	89,763,140

22. Investment liabilities

	2019 Thousand Baht	2018 Thousand Baht
Beginning balance for the year Investment contract benefits Change in investment contract liabilities	1,619,936 (944,625) 40,708	2,996,650 (1,507,119) 130,405
Closing balance at the end of year	716,019	1,619,936

23. Amount due to reinsurance

	2019 Thousand Baht	2018 Thousand Baht
Fund reserve Outward premium payables (Note 33 (b))	11,251 581,644	9,601 349,719
Total amount due to reinsurance	592,895	359,320

24. Employee benefit liabilities

	2019 Thousand Baht	2018 Thousand Baht
Short-term employee benefits Long-term employee benefits	426,944 3,458,608	425,614 2,637,205
zong torm omproyee soneme	3,885,552	3,062,819

24.1 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:

	2019 Thousand Baht	2018 Thousand Baht
Present value of employee benefits obligations	3,458,608	2,637,205
	3,458,608	2,637,205
The amounts recognised in profit or loss are as follows:		
	2019 Thousand Baht	2018 Thousand Baht
Current service cost Past service cost	107,627 269,426	92,136
Interest cost Others	81,074 568	79,854 (35,458)
Culcis	458,695	136.532

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

	2019 Thousand Baht	2018 Thousand Baht
Beginning of the year Current service cost Past service cost Interest cost Remeasurements of long-term employee benefits Others	2,637,205 107,627 269,426 81,074 429,398 568 (66,690)	2,914,848 92,136 - 79,854 (101,476) (35,458) (312,699)
Less Benefits paid Ending of the year	3,458,608	2,637,205

On 5 April 2019, an amendment bill to the Labour Protection Law was published in the Government Gazette. The amended law will become effective 30 days after its publication. The main amendment is that the compensation for employees who have retired and have more than or equal to 20 years of service has changed from 300 day's pay to 400 day's pay. The effects of the amendment were recognised as past service cost during the year.

24. Employee benefit liabilities (Cont'd)

24.1 Long-term employee benefits (Cont'd)

Principal actuarial assumptions at 31 December are shown as follows:

	2019	2018
Discount rate	1.50% - 2.00%	2.50% - 3.50%
Future salary increases	5.00% - 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 Future salary	0.25 % 0.25 %	Decrease by 4 % Increase by 2 %	Increase by 4 % Decrease by 2 %

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 methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

The weighted average duration of the defined benefit obligation is 17 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 2019 Long-term employee benefits	119,336	472,629	4,359,134	4,951,099
Total	119,336	472,629	4,359,134	4,951,099
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

24.2 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 2019, Baht 196 million (2018: Baht 191 million) has been contributed to the fund by the Branch which was presented in Statement of Comprehensive Income.

25. Deferred tax liabilities

	Net deferred tax asset/ (liability) at 1 January 2019 Thousand Baht	Credited/ (charged) to profit or loss Thousand Baht	Credited/ (charged) to Other comprehensive income (loss) Thousand Baht	Net deferred tax asset/ (liability) at 31 December 2019 Thousand Baht
For the year ended				
Revaluation of investment Insurance and investment	(12,528,011)	5,305	(21,292,286)	(33,814,992)
liabilities	2,723,091	(2,683,885)	-	39,206
Provision of expenses	2,844,515	30,242	85,880	2,960,637
Other	(2,663,196)	(203,096)	(17,076)	(2,883,368)
Total	(9,623,601)	(2,851,434)	(21,223,482)	(33,698,517)
	Net deferred tax asset/ (liability) at 1 January 2018 Thousand Baht	Credited/ (charged) to profit or loss Thousand Baht	Credited/ (charged) to Other comprehensive income (loss) Thousand Baht	Net deferred tax asset/ (liability) at 31 December 2018 Thousand Baht
For the year ended	tax asset/ (liability) at 1 January 2018 Thousand	(charged) to profit or loss Thousand	(charged) to Other comprehensive income (loss) Thousand	tax asset/ (liability) at 31 December 2018
For the year ended Revaluation of investment Insurance and investment	tax asset/ (liability) at 1 January 2018 Thousand	(charged) to profit or loss Thousand	(charged) to Other comprehensive income (loss) Thousand	tax asset/ (liability) at 31 December 2018 Thousand
Revaluation of investment	tax asset/ (liability) at 1 January 2018 Thousand Baht	(charged) to profit or loss Thousand Baht	(charged) to Other comprehensive income (loss) Thousand Baht	tax asset/ (liability) at 31 December 2018 Thousand Baht
Revaluation of investment Insurance and investment	tax asset/ (liability) at 1 January 2018 Thousand Baht (21,759,754)	(charged) to profit or loss Thousand Baht	(charged) to Other comprehensive income (loss) Thousand Baht	tax asset/ (liability) at 31 December 2018 Thousand Baht (12,528,011)
Revaluation of investment Insurance and investment liabilities	tax asset/ (liability) at 1 January 2018 Thousand Baht (21,759,754)	(charged) to profit or loss Thousand Baht 178,946	(charged) to Other comprehensive income (loss) Thousand Baht	tax asset/ (liability) at 31 December 2018 Thousand Baht (12,528,011) 2,723,091

26. Other liabilities

	2019 Thousand Baht	2018 Thousand Baht
Accrued commissions and expenses	7,052,400	6,294,779
Payable for purchase of investments	460,126	110,145
Unpresented cheques payable	2,057,097	2,340,656
Expired cheques payable	2,198,490	2,246,375
Due commissions and expenses	807,352	655,950
Payable to related parties (Note 33 (b))	944,150	575,548
Agents payable	5,536,839	5,483,571
Cash collateral from derivative contract	10,698,631	5,698,259
Other accounts payable	817,076	996,030
Others	2,316,966	1,381,412
Total	32,889,127	25,782,725

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

27. Gross benefits and claim paid

	2019 Thousand Baht	2018 Thousand Baht
Insurance contract benefits Change in investment contract liabilities	103,649,652 40,708	75,234,161 130,406
Total	103,690,360	75,364,567

28. Share-based compensation

As at 31 December 2019, 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 2019, 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.

	2019 Number of shares	2018 Number of shares
As at 1 January Granted Vested Transferred in (out) Forfeited	3,147,883 718,712 (1,102,883) (181,516) (151,015)	3,831,708 953,580 (1,200,286) 96,890 (534,009)
As at 31 December	2,431,181	3,147,883

28. 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.

	201	2019		18
	Number of options	Weighted - average exercise price per share (HK\$)	Number of options	Weighted - average exercise price per share (HK\$)
As at 1 January Granted	889,227	39.79	920,583	38.28
Exercised	61,446 (106,820)	76.73 27.35	57,735 (26,250)	67.15 28.40
Transferred in (out) Forfeited	(794,398) 	· 	(62,841)	- 47.55
As at 31 December	49,455	52.04 _	889,227	39.79

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 2019, the eligible employees paid Baht 80 million to purchase 253,112 ordinary shares of the AIA Group (2018: paid Baht 75 million to purchase 269,053 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 2019, the eligible agents paid Baht 214 million to purchase 689,711 ordinary shares of the AIA Group (2018: paid Baht 164 million to purchase 590,751 ordinary shares of the AIA Group).

28. 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 2019 amount of Baht 245 million (2018: Baht 225 million) and the other reserve in Head Office's equity as at 31 December 2019 amount of Baht 110 million (2018: Baht 83 million).

2019

Assumptions	Share option scheme	Restricted share unit scheme	Employee share purchase plan	Agent share purchase plan
Risk-free interest rate (%) Volatility (%) Dividend yield (%) Weighted average fair value	1.44 - 1.59 20.00 1.50	1.36 - 1.67 20.00 1.50	1.44 - 1.76 20.00 - 24.00 1.50 - 1.60	1.59 20.00 1.50
per option/unit at measurement date (HK\$)	15.59	67.09	75.55	65.08

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 (%) Weighted average fair value per option/unit at measurement	1.80	1.80	1.50 - 1.80	1.80
date (HK\$)	13.68	57.54	60.10	54.00

29. Operating expenses

	2019 Thousand Baht	2018 Thousand Baht
Employee expenses not relating to underwriting		
expenses, and loss adjusting expenses Property and equipment expenses not relating	3,831,243	3,239,506
to underwriting expenses, and loss adjusting expenses	2,306,189	1,951,126
Tax expenses	34,605	19,118
Other operating expenses	1,597,973	2,036,021
Total	7,770,010	7,245,771

30. Employee benefit expenses

	2019 Thousand Baht	2018 Thousand Baht
Salary, overtime and bonus Provident fund Provision for long-term employee benefits Share-based payment Other employee benefit expenses	3,176,761 195,842 458,695 175,007 297,460	2,919,299 190,603 136,532 173,791 265,846
Total employee benefit expenses	4,303,765	3,686,071

31. Income tax expense

	2019 Thousand Baht	2018 Thousand Baht
Income tax expense Current income tax on taxable profits for the year Deferred income tax on temporary differences (Note 25)	2,855,966 2,851,434	5,262,933 243,514
Total income tax expense	5,707,400	5,506,447

Income tax rate used for 2019 is 20% (2018: 20%).

The effective tax rate for 2019 is 20% (2018: 20%). There was no significant transaction being income not subject to tax and expense not deductible for tax purpose.

32. Tax effect from other comprehensive income

					Unit: The	ousand Baht
		2019			2018	
	Before tax	Tax benefit (expense)	Net of tax	Before tax	Tax benefit (expense)	Net of tax
Unrealised gain (loss) from available-for-sale securities Remeasurements of post-	106,461,428	(21,292,286)	85,169,142	(45,263,987)	9,052,797	(36,211,190)
employment benefit obligations Gains on revaluation of	(429,398)	85,880	(343,518)	101,476	(20,295)	81,181
land and building	85,379	(17,076)	68,303	1,024,627	(204,925)	819,702
Total	106,117,409	(21,223,482)	84,893,927	(44,137,884)	8,827,577	(35,310,307)

33. Related party transactions

(b)

Head office

Other assets

Other liabilities

Other liabilities

Affiliated companies
Reinsurance assets

Investment in associates

Amount due to reinsurance

Profit remittances to Head Office

Amount due from reinsurance

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

	2019 Thousand	2018 Thousand
Head office	Baht	Baht
Operating expenses	1,358,737	853,273
Affiliated companies		
Premiums ceded to reinsurers	3,497,911	2,538,639
Fee and commission income	84,987	74,972
Net investment income	(188,502)	(155,928)
Other income	317	` 317
Benefit and claim paid recovered from		
reinsurers	2,427,463	1,588,984
Other underwriting expenses	27,589	29,641
Operating expenses	963,686	899,336
Statement of financial positions		
	2019	2018
	Thousand Baht	Thousand Baht

31,727,000

661,995

3,138

171,500

422,820

115,128

281,765

4,820,000

421,731

33,166

171,500

525,723

152,639

77,670

1,110

33. 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:

	2019 Thousand Baht	2018 Thousand Baht
Salary and other short-term employee benefits	153,393	176,180
Severance payment	1,650	21,656
Post-employment benefits	24,055	39,764
Share-based payment	28,497	32,727
Total	207,595	270,327

34. Contingent liabilities and commitments

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

	2019 Thousand Baht	2018 Thousand Baht
Not later than 1 year Later than 1 year but not later than 5 years	321,769 113,267	284,661 289,592
Total	435,036	574,253

As at 31 December 2019, the Branch has contractual commitment from contracts for investment property projects with the amount at maximum of Baht 492 million (As at 31 December 2018: at maximum of Baht 408 million).