

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

Information Disclosure of Life Insurance Companies B.E. 2561

Part 1: To certify correctness of disclosure

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

Signature.....

Name.....Kris Chantanotoke.....

Position.....Chief Executive Officer

Date.....28.....Month.....May.....Year....2021.....

Information for the Year.....2020.....

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

AIA 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 AIA Sharing A Life Day, AIA School Library, AIA Operation Smile, AIA 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

 Protection	<ul style="list-style-type: none">• AIA 20PayLife (Non Par)• Term 5 / 10 / 15 / 20• AIA Life Protector 70 (Non Par)• AIA CI SuperCare 10/99 (Non Par)• AIA Life Protector 80 (Non Par)• AIA CI SuperCare 20/99 (Non Par)• AIA 10&15 PayLife (Non Par)• Senior Happy• Senior OK• 50 Up
 Unit Linked	<ul style="list-style-type: none">• AIA Issara Plus (Unit Linked)• AIA Infinite Wealth Prestige (Unit Linked)• AIA Smart Select (Unit Linked)• AIA Issara Prestige Plus (Unit Linked)• AIA Smart Wealth (Unit Linked)• AIA Smart Wealth Prestige (Unit Linked)
 High Net Worth	<ul style="list-style-type: none">• AIA Legacy Prestige (Non Par)• AIA Infinite Wealth Prestige (Unit Linked)• AIA CI SuperCare Prestige• AIA Issara Prestige Plus (Unit Linked)• AIA Smart Wealth Prestige (Unit Linked)• AIA Smart Select Prestige (Unit Linked)

 <p><u>Critical Illnesses</u></p>	<ul style="list-style-type: none"> • AIA CI SuperCare 10/99 (Non Par) • AIA CI Care • AIA Health Cancer • AIA CI Plus • AIA CI Plus UDR • AIA Health Cancer UDR • AIA CI UDR • Lady Care • AIA CI Top Up • Lady Care Plus • AIA CI Care UDR
 <p><u>Medical</u></p>	<ul style="list-style-type: none"> • AIA Infinite Care • AIA H&S Plus Gold • AIA H&S Extra • AIA Health Happy • H&S • AIA HB Extra • H&S UDR • HB • AIA H&S Extra UDR • AIA HB Extra UDR
 <p><u>Accident</u></p>	<ul style="list-style-type: none"> • AIA PA 2500 • AIA PA 4900 • AIA PA 4000 • AIA PA 2500 • Micro 1000 • Micro 500 • Micro 200 • Micro 300 • Micro 222 • Micro 100 • AI/RCC • ADB/RCC • ADD/RCC

 <p>Annuity</p>	<ul style="list-style-type: none"> • AIA Annuity FIX
 <p>Savings</p>	<ul style="list-style-type: none"> • AIA Excellent (Non Par) • AIA Endowment 15/25 (Non Par)
 <p>AIA Vitality Protection</p>	<ul style="list-style-type: none"> • AIA Vitality Protection
 <p>Bank Assurance</p>	<p>BBL</p> <ul style="list-style-type: none"> • Be Together Smart Retirement • Be Together Unit Linked • Be Together Save+ • Be Together Legacy+ • Be Together Beloved+ • Be together Care • Be Together Health & Save • Be Together Health • Be Together Infinite Health • Riders <p>BAY</p> <ul style="list-style-type: none"> • Krungsri Unit Linked • Krungsri Unit Linked Super Smart <p>TISCO</p> <ul style="list-style-type: none"> • TISCO Health Insurance Plan (HIP) • TISCO Auto Loan Protection (ALP) • TISCO My Gift Prestige

For Business

 Provident Fund	<ul style="list-style-type: none">• Provident Fund Management Services
 Group Insurance	<ul style="list-style-type: none">• 20UP/20UP+• 50UP/5UP+• GPA Continental
 Credit Life	<ul style="list-style-type: none">• Auto Insurance Plan• Mortgage Reducing Term Assurance (MRTA)
 SME/GPF	<p>For SME</p> <ul style="list-style-type: none">• AIA 20PayLife (Par)• AIA Annuity FIX <p>For Government Pension Fund (GPF)</p> <ul style="list-style-type: none">• AIA 20Pay Life (Par)


1.5.1.1 HOW TO MAKE CLAIMS

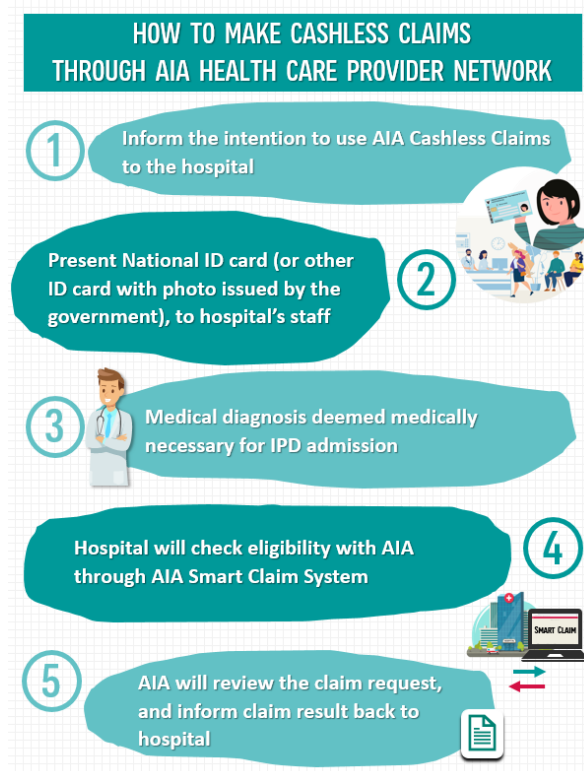
INDIVIDUAL HEALTH AND PERSONAL ACCIDENT INSURANCE CLAIM

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 required according to medical necessity via 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), All 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 [relevant documents](#) 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.

List of AIA Health Care Provider Network (Individual)

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

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

Term and Conditions

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

For Health claim, rider must be effective at least 30 days from the rider contracted date or reinstated date.

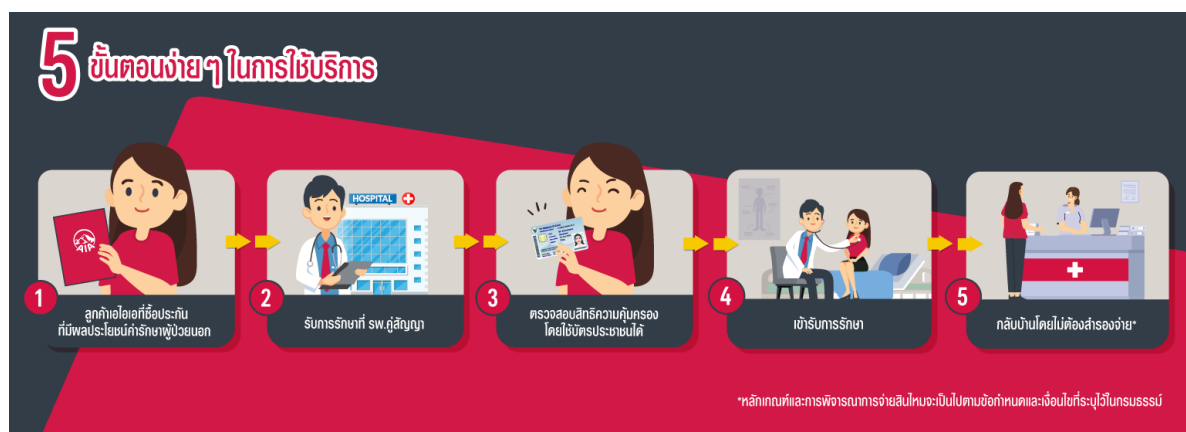
For Accident claim, service is available from the rider contracted date.

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

- AIA will assess your claim, upon the request and documents received through AIA Smart Claim system, according to the policy's terms and conditions.
- Available at hospitals under AIA Health Care Provider Network.
- 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 Individual 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 Cashless Claims

OPD cashless claims is applicable after personal health riders are effective not less than 30 days after inforce date. If there is reinstatement, OPD cashless claims is applicable 30 days after the effective date of last reinstatement as well. OPD cashless claims can be used at any AIA Health Care Provider Network.



Term and Conditions:

1. OPD cashless claims is applicable after personal health riders are effective not less than 30 days after inforce date. If there is reinstatement, OPD cashless claims is applicable at the effective of last reinstatement.
2. OPD cashless claims is applied to personal health riders which the coverage are;

ความคุ้มครองผลประโยชน์ผู้ป่วยนอกที่สามารถใช้บริการ OPD Cashless ได้ตามสัญญาเพิ่มเติม	H&S	H&S Plus Gold	H&S Extra	H&S Junior	AIA Infinite Care	AIA Health Happy	AIA Med Care
การรักษาผู้ป่วยนอกสำหรับโรคทั่วไป (OPD general)			✓		✓	✓ (แบบ A)	✓
การรักษาผู้ป่วยนอกกรณีอุบัติเหตุภายใน 24 ชั่วโมง (E&O)	✓	✓	✓	✓	✓	✓	✓
การรักษาผู้ป่วยนอกในช่วง 30 วันหลังการเข้าพักรักษาตัวเป็นผู้ป่วยใน (OPD follow up)		✓			✓	✓	
การตรวจวินิจฉัยผู้ป่วยนอกที่เกี่ยวข้องโดยตรงและเกิดขึ้นภายใน 30 วันหลังการเข้าพักรักษาตัวเป็นผู้ป่วยใน (X-ray-Lab after admit)	✓	✓	✓	✓	✓	✓	✓
การรักษาผู้ป่วยนอกกรณีการบำบัดรักษาโรคไตวายเรื้อรังโดยการล้างไตผ่านทางเส้นเลือด (OPD Hemodialysis)		✓	✓		✓	✓	✓
การรักษาผู้ป่วยนอกกรณีรักษาโรคเนื้องอกหรือมะเร็ง โดยรังสีรักษา รังสีร่วมรักษา เวชศาสตร์นิวเคลียร์รักษา (OPD Radiation)		✓	✓		✓	✓	✓
การรักษาผู้ป่วยนอกกรณีการบำบัดรักษาโรคมะเร็งโดยเคมีบำบัด (OPD Chemotherapy)		✓	✓		✓	✓	✓
การรักษาผู้ป่วยนอกสำหรับกายภาพบำบัดและกิจกรรมบำบัด (OPD PT)					✓		
ค่าเวชศาสตร์ฟื้นฟู หลังการเข้าพักรักษาตัวเป็นผู้ป่วยใน (OPD PT after admit)						✓ (2 ครั้ง/ปี/คน.)	
การตรวจสุขภาพทั่วไป (Check up)					✓ (แบบ 120 ล้าน)		
ทันตกรรม (Dental)					✓ (แบบ 120 ล้าน)		
วัคซีน (Vaccine)					✓ (แบบ 120 ล้าน)		

3. OPD Cashless Claims is available at the AIA Health Care Provider Network.
4. AIA will inform claim assessment result through Smart Claim and the insured need to endorse on the result.
5. If the claim is over coverage amount, the insured is responsible for the difference.

OPD Cashless cannot used, if;

1. The coverage period of Critical Illness or chronic illness are not applicable if policy duration is less than 2 year after the effective of riders or last inforce date of the last reinstatement.
2. The illness that specified in the waiting period clause or the illness which on included in coverage condition.
3. In case AIA needs to collect further information or consult the specialists to provide an accurate and fair claim assessment.
4. X-lab for 30 days before admit.
5. Limit of Law/ the AIA system, the insured is required to submit claim to AIA directly.

For more details, please see [OPD Cashless Claims](#)

- **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 (AIA PAY) 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. Request for original receipt and medical certificate from hospital.
3. Submit a completed [claim form](#) along with [relevant documents](#) 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 [claim form](#) 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 [HERE](#). Choose claim benefit form → No. 2 Claim form for death benefits (all the necessary forms can be found therein).

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

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

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

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

What is the timeline 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 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 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	✓	✓	<ul style="list-style-type: none"> - 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	✓	✓	
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	*	*	<ul style="list-style-type: none"> - In case of ONE or more than one beneficiary is dead before or in the same time of the insured, and the change of the beneficiary hasn't been done yet, <u>EXCEPT</u> the policy issued before September 1, 2000, death benefit shall be paid to the still living beneficiary (PA excluded). - In case the insured is murdered by ONE or ALL beneficiary - In case there is living benefit approved after death and the amount exceeds 200,000 THB.
19.	Copy of court order of the beneficiary's administrator certified true copy by court officer.	*	*	In case the beneficiary died after the insured.
20.	Copy of court order to be missing person certified true copy by court officer.	*	*	In case the insured or the beneficiary is missing without knowing that if he/she is still alive.
21.	Form of change of beneficiary	*	*	In case the payor is dead.

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

For the document of 1-4, 14-15

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

Notes






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

1.5.2 COMPLAINT PROCESS AND CHANNEL

Help & Support



TALK TO US NOW

	AIA Company AIA Tower, Surawong Road., Suriyawong, Bang Rak, Bangkok 10500 Hotline : +662 634 8888 Fax. : +662 783 4818 Service Hours : Mon - Fri (8:00 am – 5.00 pm)
	AIA Call Center 1581 24-hour Call Center Service
	Customer Service Centre 2/F, AIA Tower, Surawong Road., Suriyawong, Bang Rak, Bangkok 10500 Service Hours : Mon - Fri (8:00 am – 5.00 pm)
	Advance appointment at Customer Service Center Select date and time of appointment Download manual
	Inquire information for AIA Link AIA Call Center : 1581 E-mail : th.investmentlink@aia.com



Inquire Information or Give Suggestion

[Please Link](#)

Complaint resolution process

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

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

AIA Thailand

Corporate Governance Framework

Incorporating

AIA THAILAND



Document Details

Document Name	Corporate Governance Framework
Document Version	3.0
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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Approved by	Executive Committee ("EXCO")
Review Frequency	Minimum once a year or when needed
Next Review Date	1 March 2022
Document Type <i>Per Corporate Policy Governance Standard</i>	Policy
Information Classification <i>Per Group Data Protection Standard</i>	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
3.0	Third release	20 April 2021	EXCO

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 Counsel¹
- Chief Risk Officer
- Director of Regulatory Compliance and External Affairs
- Director of Compliance
- Director of Enterprise Risk Management

¹ The General Counsel responsibilities currently is conducted by Director of Legal.

3. 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

AIA Thailand is a branch office of AIA Company Limited ("AIA"), which is incorporated in Hong Kong. AIA's ultimate holding company is AIA Group Limited ("AIA Group"), a company incorporated in Hong Kong and listed on the Stock Exchange of Hong Kong Limited. The Board of Directors of AIA ("the Board"), has delegated the general operations of AIA Thailand to the CEO of AIA 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 AIA 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;
- f) 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;
- l) 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
- n) 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.

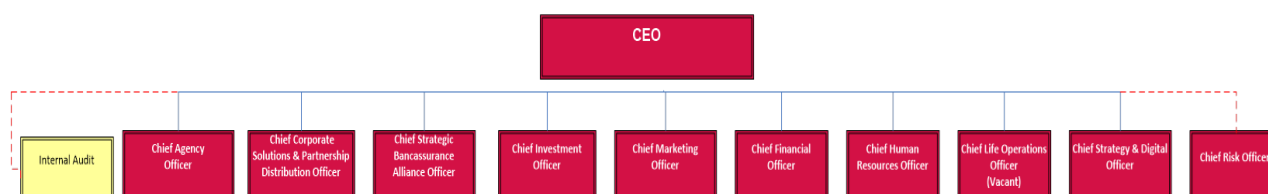
Full minutes of the EXCO's meetings shall be kept by the secretariat, and such minutes shall be available for inspection at any reasonable time on reasonable notice by the EXCO or the Board.

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

AIA 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) Chief Agency Officer

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

f) Chief Marketing Officer

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

g) 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.

h) 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.

i) Chief Strategy and Digital Officer

Responsible for developing and implementing strategy and digital initiatives, including overseeing the technology delivery for AIA Thailand.

j) Chief Corporate Solutions and Partnership Distribution

Responsible for synergizing both Corporate Solutions and Partnership Distribution teams' capacity to leverage the relationship management with partners of AIA Thailand..

k) Chief Life Operations Officer²

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

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")

² Chief Life Operations Officer is currently vacant. Operations is currently jointly led by Acting Head of Life Operations 1 and Acting Head of Life Operations 2

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 – Investment Department
2. Fund Manager – Investment Department
3. Head of CS Pension Department
4. Director of ERM Department
5. Pension Fund Managers – CS Pension Department

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 Strategy and Digital Officer
6. Director of Compliance
7. Director of Legal
8. Head of Information Technology
9. Acting Head of Life Operations 2

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. Chief Marketing Officer
2. Chief Actuary
3. Acting Head of Life Operations 2
4. Director of Legal
5. Chief Agency Officer
6. Chief Risk Officer
7. Head of Compliance

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 Financial Officer
2. Chief Risk Officer
3. Chief Actuary
4. Acting Head of Life Operations 1
5. Medical Director – Health Service

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. Acting Head of Life Operations 2
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. Acting Head of Life Operations 1
2. Director of Financial Controller
3. Director of Enterprise Risk Management
4. Director of Compliance
5. Senior Manager of Legal

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. Director of Legal

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 Financial 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 addition, 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.

Remuneration 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

 <p>Kris Chantanotoke Chief Executive Officer</p>	<p>Responsible for leading AIA Thailand to be success in business and management strategies to harmonize with 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.</p>
 <p>Hiew Tet Chian Chief Financial Officer</p>	<p>Responsible for overseeing financial strategies as well as strategic business plans and corporate projects for future business growth. This includes financial reporting, business analysis, and budgeting. Also, to provide consultative support for initiatives planning through financial and management information analysis. In addition, to manage departments of Actuarial, Real Estate, Distribution Administration & Management Information, and Project Management Office to support the business.</p>



Aekkaratt Thitimon
Chief Marketing Officer

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



Knattapisit Krutkrongchai
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.



Alisa Simaroj
Chief Strategic Bancassurance
Alliance Officer

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



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.



Johann Detoit
Chief Investment Officer

Responsible for formulating and directing 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.



Chiraporn Kanistarath
**Chief Corporate Solutions &
Partnership Distribution**

Responsible for synergizing both Corporate Solutions and Partnership Distribution teams' capacity to leverage the relationship management with partners of AIA Thailand.



Dr. Christian Roland
Chief Strategy & Digital Officer

Responsible for leading the development and execution of corporate strategy as well as digital strategy to drive the digital transformation roadmap for successful adoption of digital technologies across the entire business.

2.4 SUB-COMMITTEE MEMBERS

a) **Investment Committee** (“IC”)

The members of IC are:

1. Kris Chantanotoke (Chief Executive Officer)
2. Johann Dutoit (Chief Investment Officer)
3. Hiew Tet Chian (Chief Financial Officer)
4. Loo Boon Teik (Chief Risk Officer)
5. Eric Lu (Director & Chief Actuary)

b) **Pension Investment Committee** (“Pension IC”)

The members of Pension IC are:

1. Johann Dutoit (Chief Investment Officer)
2. Sineenart Porkaew (Fund Manager from Life Fund)
3. Vatcharapong Ratanamangkarnont (Fund Manager from Life Fund)
4. Vilasinee Limprana (Head of Pension Business)
5. Dudpong Wongsasitorn (Fund Manager from Pension Business)
6. Titti Tungpanitansook (Director 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. Knattapisit Krutkrongchai (Chief Agency Officer)
4. Dr.Christian Roland (Chief Strategy and Digital Officer)
5. Sarunya Tienthavorn (Chief Human Resources Officer)
6. Supirut Pothavorn (Director of Compliance)
7. Jutamas Suttisirikul (Director of Legal)
8. Amaraporn Runsewa (Head of Information Technology)
9. Krittanon Phoowapattarakul (Acting Head of Life Operations 2)

d) **Financial Risk Committee** (“FRC”)

The members of FRC are:

1. Kris Chantanotoke (Chief Executive Officer)
2. Hiew Tet Chian (Chief Financial Officer)
3. Loo Boon Teik (Chief Risk Officer)
4. Johann Dutoit (Chief Investment Officer)
5. Eric Lu (Director & Chief Actuary)

The Audit Committee

The members of Group Audit Committee are:

1. Ricky Choi-Cheung Fung (Independent Non-Executive Director)
2. Dominic Ka-Kui Leung (Independent Non-Executive Director)
3. Stuart John Valentine (Independent Non-Executive Director)
4. Garth Brian Jones

Financial Oversight Committee

The members of FOC are:

1. Garth Brian Jones (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.

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 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: Million Baht

Item	As of December 31,			
	2020		2019	
	Book value	Appraisal value	Book value	Appraisal value
Long-term technical reserves	574,292	739,994	575,117	697,943
Short-term technical reserves	19,541	17,027	18,765	16,480
Unpaid policy benefits	452	452	390	390
Due to insured	123,594	77,569	104,902	66,603

- Remarks:**
- Book Value refers to Insurance liabilities valued according to the Thai Generally Accepted Accounting Principles (THGAAP). The main objective is to support the investor's understanding of the economic value of policy liabilities according to THGAAP. The Policy liabilities are audited and certified by an auditor.
 - Fair Value refers to Insurance liabilities valued according to the OIC's Notification on the Valuation of Assets and Liabilities of Life Insurance Companies to ensure that the Company has the ability to pay the policy benefit to policyholders. The fair value of insurance liabilities must be calculated by a certified actuary according to accepted actuarial principles. 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 the 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: Million Baht

Investment assets	As of December 31,			
	2020		2019	
	Book value	Appraisal value	Book value	Appraisal value
Deposits with financial institutions and Certificate of Deposit	3,831	3,831	2,785	2,785
Bonds, debentures, promissory notes bill of exchange	771,518	771,816	754,469	754,345
Equity securities excepted investments in subsidiaries and associates	88,304	88,304	123,599	124,365
Mutual fund	3,057	3,057	4,857	4,857
Policy Loans	31,663	39,114	30,778	37,075
Loans	1,442	1,426	1,462	1,439
Warrants	23	23	13	13
Investment property	17,405	17,405	16,850	16,850
Derivative assets	10,959	10,959	7,054	15,111
Others	-	-	-	-
Total Investment Assets	928,202	935,935	941,867	956,840

7. FINANCIAL RESULTS ANALYSIS AND RATIOS

Performance

Unit: Million Baht

Items	As of December 31,	
	2020	2019
Gross written premiums	134,456	132,455
Net earned premiums	126,335	126,397
Net investment income	29,644	33,733
Change in long-term technical reserve	(825)	2,867
Net benefits and claim paid	99,404	100,624
Net Profit	13,567	25,130

Gross written premiums in 2020 grew up by Baht 2,001 million or 1.5% from 2019, mainly from Ordinary Life products generating from Agency channel. Net investment income decreased by Baht 4,089 million or 12.1% and net profit decreased by Baht 11,563 million or 46.0% from last year. While Change in long-term technical reserve and Net benefits and claims paid went down totally by Baht 4,912 million or 4.7%.

Financial Ratio

Ratios	2020	2019
First year underwriting expense per net premium	85.3%	85.8%
Renewal underwriting expense per net premium	13.6%	14.3%
Return on equity	5.1%	12.5%
Return on asset		
Return on asset	1.3%	2.3%
Return on asset excluded Unit linked and Universal life	1.2%	2.6%
Return on investment ratio		
Return on investment ratio	3.1%	3.7%
Return on investment ratio excluded Unit linked and Universal life	3.2%	3.8%
Investment asset per liability reserve	127.1%	137.6%

Table: Proportion of premium written from each insurance category for 2020

Unit: Million Baht

Description	Ordinary					Industrial	Personal Accident	Group	Total
	Whole Life	Endowment	Term	Others	Total				
Direct premium written	24,917	47,894	161	48,101	121,073	-	3,466	9,917	134,456
Proportion of premium written	18.53	35.62	0.12	35.77	90.05	-	2.58	7.38	100.00

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 healthy 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,	
	2020	2019
Total Asset	998,749	1,004,740
Total Liabilities	879,253	823,153
- Insurance Liabilities	853,043	781,416
- Other Liabilities	44,210	41,737
Total Head Office's Equity	119,497	181,587
Common Equity Tier 1 Ratio (%)	301	363
Tier 1 Ratio (%)	301	363
Capital Adequacy Ratio (%)	301	363
Total Capital Available	118,529	180,666
Total Capital Required	39,420	49,715

Remarks:

- According to the OIC's RBC capital valuation of Life Insurance Companies, the Registrar may determine the necessary procedures to manage companies with a CAR below the supervisory CAR
- The above items use a Fair Value approach according to the OIC's Notification on the Valuation of Assets and Liabilities of Life Insurance Companies and RBC capital is valued according to the OIC's Notification on the Valuation of Assets and Liabilities of Life Insurance Companies

AIA COMPANY LIMITED

FINANCIAL STATEMENTS

31 DECEMBER 2020



Independent Auditor's Report

To the Executive Committee of AIA Company Limited

My opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of AIA Company Limited (the Branch) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Thai Financial Reporting Standards (TFRS).

What I have audited

The Branch's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants issued by the Federation of Accounting Professions 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 TFRS, 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's 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
9 March 2021

		31 December	(Restated) 31 December	(Restated) 1 January
		2020	2019	2019
	Notes	Baht	Baht	Baht
Assets				
Cash and cash equivalents	6	7,403,134,110	5,553,565,042	7,769,489,147
Premium receivable	7	10,311,620,533	7,178,537,532	6,596,744,106
Accrued income on investments		3,552,947,398	5,142,295,470	5,684,482,811
Reinsurance assets	8, 20, 33	271,677,295	231,533,260	299,424,481
Amount due from reinsurance	9, 33	2,147,768	628,133	1,905,664
Deferred acquisition costs	10	70,014,182,862	69,097,878,600	65,711,073,262
Derivative assets	11	10,981,408,363	7,054,202,416	2,896,344,761
Invested assets				
Investment in securities	12	859,605,477,773	880,192,356,890	769,096,590,258
Loans and accrued interest receivables	14	33,104,294,722	32,240,355,289	31,157,710,208
Investment property	15	17,405,400,000	16,849,643,239	16,410,000,000
Investment in associates	13, 33	171,500,000	171,500,000	171,500,000
Assets held to cover linked liabilities	16	35,766,023,674	27,720,158,178	20,646,422,436
Property, plant and equipment	17	2,018,220,571	2,205,939,485	2,071,691,883
Intangible assets	18	1,671,721,091	1,041,845,240	698,275,585
Other assets	19, 33	5,624,444,025	1,907,604,409	2,305,222,224
Total assets		1,057,904,200,185	1,056,588,043,183	931,516,876,826

Authorised signature _____

Date _____

			(Restated) 31 December 2019 Baht	(Restated) 1 January 2019 Baht
	Notes	31 December 2020 Baht		
Liabilities and Head Office's Equity				
Liabilities				
Insurance liabilities	20	715,546,586,539	697,004,792,055	680,244,719,106
Investment liabilities	21	-	716,018,557	1,619,936,357
Amount due to reinsurance	22, 33	582,689,728	592,894,931	359,319,757
Derivative liabilities	11	9,205,267,525	61,769,363	659,236,610
Income tax payable		1,934,565,718	1,263,575,065	2,689,801,011
Employee benefit liabilities	23	4,056,272,220	3,885,552,102	3,062,818,646
Deferred tax liabilities	24	43,288,664,388	47,518,092,487	22,765,815,778
Other liabilities	25, 33	28,433,591,510	32,889,126,630	25,782,724,966
Total liabilities		803,047,637,628	783,931,821,190	737,184,372,231
Head Office's Equity				
Remeasurements of investments measured at fair value through other comprehensive income, net of tax		118,096,487,007	138,167,982,619	52,998,840,193
Remeasurements of derivative instruments used in cash flow hedge, net of tax		(3,922,469,937)	-	-
Remeasurements of deferred cost of hedge, net of tax		(930,109,142)	-	-
Remeasurements of post-employment benefit obligations, net of tax		(1,520,867,820)	(1,443,934,031)	(1,100,415,482)
Gains on land and building revaluation, net of tax		1,321,289,762	888,004,205	819,701,391
Other reserve		136,126,302	109,927,753	82,648,649
Branch's retained earnings				
Unappropriated		141,676,106,385	134,934,241,447	141,531,729,844
Total Head Office's Equity		254,856,562,557	272,656,221,993	194,332,504,595
Total liabilities and Head Office's Equity		1,057,904,200,185	1,056,588,043,183	931,516,876,826

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

AIA Company Limited
Statement of Comprehensive Income
For the year ended 31 December 2020

			(Restated)
	Notes	2020 Baht	2019 Baht
Revenues			
Gross written premiums		134,455,798,608	132,455,150,401
<u>Less</u> premiums ceded to insurers	33	<u>(7,059,820,940)</u>	<u>(4,648,748,702)</u>
Net written premiums		127,395,977,668	127,806,401,699
<u>Less</u> net change in unearned premium reserve		<u>(1,060,652,347)</u>	<u>(1,409,532,205)</u>
Net earned premiums		126,335,325,321	126,396,869,494
Fee and commission income	33	503,488,965	465,425,969
Net investment income	33	29,644,181,174	33,732,728,094
Gains (losses) on investment		(235,423,040)	11,845,789,899
Fair value losses		(2,903,731,042)	(435,651,674)
Fair value gains (losses) on investment property		(200,143,415)	367,508,727
Other income	33	<u>179,295,103</u>	<u>174,888,510</u>
Total revenues		<u>153,322,993,066</u>	<u>172,547,559,019</u>
Expenses			
Change in long-term technical reserve		(825,041,850)	2,866,821,997
Gross benefits and claim paid	26	103,742,544,944	103,690,359,557
<u>Less</u> benefits and claim paid recovered from reinsurers	33	<u>(4,338,240,569)</u>	<u>(3,066,100,123)</u>
Net benefits and claim paid		99,404,304,375	100,624,259,434
Commissions and brokerages		13,716,648,013	13,604,442,934
Other underwriting expenses	33	16,642,643,638	16,123,734,703
Operating expenses	28, 33	7,536,971,869	7,770,010,254
Finance cost	33	48,079,235	44,016,586
Expected credit loss	30	<u>(167,993,237)</u>	<u>-</u>
Total expenses		<u>136,355,612,043</u>	<u>141,033,285,908</u>
Profit before income tax		16,967,381,023	31,514,273,111
Income tax expenses	31	<u>3,400,768,840</u>	<u>6,384,761,506</u>
Net profit		<u>13,566,612,183</u>	<u>25,129,511,605</u>

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

AIA Company Limited
Statement of Comprehensive Income (Cont'd)
For the year ended 31 December 2020

			(Restated)
		2020	2019
	Notes	Baht	Baht
Other comprehensive income (loss)			
<u>Items that will not be reclassified subsequently to profit or loss</u>			
Remeasurements of post-employment benefit obligations	23.1	(96,167,236)	(429,398,186)
Gains on land and building revaluation		541,606,946	85,378,517
Income tax on items that will not be reclassified subsequently to profit or loss		(89,087,942)	68,803,934
Total items that will not be reclassified subsequently to profit or loss		356,351,768	(275,215,735)
<u>Items that will be reclassified subsequently to profit or loss</u>			
Gains (losses) on remeasuring investments measured at fair value through other comprehensive income		(26,922,097,411)	118,305,454,326
Losses on remeasuring derivative instruments used in cash flow hedge		(4,903,087,421)	-
Losses on remeasuring deferred cost of hedge		(1,162,636,427)	-
Items in other comprehensive income transferred to profit or loss		510,986,690	(11,844,026,294)
Income tax relating to items that will be reclassified subsequently to profit or loss		6,495,366,914	(21,292,285,606)
Total items that will be reclassified subsequently to profit or loss		(25,981,467,655)	85,169,142,426
Other comprehensive income (loss) for the year, net of tax		(25,625,115,887)	84,893,926,691
Total comprehensive income (loss) for the year		(12,058,503,704)	110,023,438,296

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

AIA Company Limited
Statement of Changes in Head Office's Equity
For the year ended 31 December 2020

	Remeasurements of investments measured at fair value through other comprehensive income, net of tax	Remeasurements of derivative instruments used in cash flow hedge, net of tax	Remeasurements of deferred cost of hedge, net of tax	Remeasurements of post-employment benefit obligations, net of tax	Gain on land and building revaluation net of tax	Other reserve	Unappropriated Branch's retained earnings	Total Head Office's Equity
	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht
Beginning balance as at 1 January 2020	138,167,982,619	-	-	(1,443,934,031)	888,004,205	109,927,753	79,655,938,567	217,377,919,113
Retrospective adjustment from adoption of new financial reporting standards (Note 2.1)	1,057,392,965	-	-	-	-	-	3,175,252,755	4,232,645,720
Retrospective adjustments from change in accounting policy (Note 2.1)	-	-	-	-	-	-	55,278,302,880	55,278,302,880
Beginning balance after adjustment	139,225,375,584	-	-	(1,443,934,031)	888,004,205	109,927,753	138,109,494,202	276,888,867,713
Profit remittances to Head Office	-	-	-	-	-	-	(10,000,000,000)	(10,000,000,000)
Employee benefits on share-based payment	-	-	-	-	-	26,198,549	-	26,198,549
Net profit	-	-	-	-	-	-	13,566,612,183	13,566,612,183
Remeasurement of post-employment benefits	-	-	-	(76,933,789)	-	-	-	(76,933,789)
Gains on land and building revaluation	-	-	-	-	433,285,557	-	-	433,285,557
Losses on remeasuring investments measured at fair value through other comprehensive income	(21,537,677,929)	-	-	-	-	-	-	(21,537,677,929)
Losses on remeasuring derivative instruments used in cash flow hedge	-	(3,922,469,937)	-	-	-	-	-	(3,922,469,937)
Losses on remeasuring deferred cost of hedge	-	-	(930,109,142)	-	-	-	-	(930,109,142)
Items in other comprehensive income transferred to profit or loss	408,789,352	-	-	-	-	-	-	408,789,352
Ending balance as at 31 December 2020	118,096,487,007	(3,922,469,937)	(930,109,142)	(1,520,867,820)	1,321,289,762	136,126,302	141,676,106,385	254,856,562,557
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
Retrospective adjustments from change in accounting policy (Note 2.1)	-	-	-	-	-	-	55,278,302,880	55,278,302,880
Beginning balance after adjustment	52,998,840,193	-	-	(1,100,415,482)	819,701,391	82,648,649	144,241,174,114	197,041,948,865
Profit remittances to Head Office	-	-	-	-	-	-	(31,727,000,000)	(31,727,000,000)
Employee benefits on share-based payment	-	-	-	-	-	27,279,104	-	27,279,104
Net profit	-	-	-	-	-	-	22,420,067,333	22,420,067,333
Remeasurement of post-employment benefits	-	-	-	(343,518,549)	-	-	-	(343,518,549)
Gains on land and building revaluation	-	-	-	-	68,302,814	-	-	68,302,814
Unrealised gains on changes in fair value of investments	94,644,363,461	-	-	-	-	-	-	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)	-	-	-	-	-	-	(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	134,934,241,447	272,656,221,993

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

AIA Company Limited
Statement of Cash Flows
For the year ended 31 December 2020

		2020	2019
	Notes	Baht	Baht
Cash flows provided by (used in) operating activities			
Written premium received from direct insurance		138,315,044,884	134,908,535,677
Fee income		418,523,291	200,522,630
Cash paid for reinsurance		(2,580,710,993)	(1,109,132,963)
Interest income		28,673,812,402	31,012,403,307
Dividend income		3,062,239,675	4,396,652,783
Investment expenses		(2,185,426,264)	(1,829,595,172)
Cash received for settlement of derivatives		1,598,355,167	2,358,332,574
Rental income		1,025,126,008	1,032,206,446
Other income		132,911,093	166,062,589
Gross benefits and claim paid from direct insurance		(92,123,725,383)	(93,181,023,711)
Commissions and brokerages from direct insurance		(13,802,908,512)	(15,076,556,023)
Other underwriting expenses		(16,665,566,864)	(17,325,771,148)
Operating expenses		(7,157,752,743)	(6,872,032,542)
Income tax expense		(1,630,972,796)	(4,282,192,416)
Cash received from investment in securities		147,118,017,202	119,615,361,366
Cash paid for investment in securities		(162,463,436,017)	(114,681,436,994)
Cash received from investment property		-	30,853
Cash paid for investments property	15	(755,900,176)	(72,428,765)
Cash received from loan repayment		7,149,335,870	5,213,265,608
Cash paid for loan drawdown		(5,864,470,335)	(7,354,665,622)
Cash received from assets held to cover linked liabilities		34,467,887,171	6,770,514,185
Cash paid for assets held to cover linked liabilities		(43,676,134,434)	(13,522,905,533)
Net cash provided by operating activities		13,054,248,246	30,366,147,129
Cash flows provided by (used in) investing activities			
<u>Cash flows provided by:</u>			
Properties and equipment		1,774,144	11,141,703
Net cash provided by investing activities		1,774,144	11,141,703
<u>Cash flows used in:</u>			
Properties and equipment	17	(68,192,314)	(325,731,471)
Intangible assets	18	(779,281,274)	(496,464,880)
Net cash used in investing activities		(847,473,588)	(822,196,351)
Net cash used in investing activities		(845,699,444)	(811,054,648)

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

AIA Company Limited
Statement of Cash Flows (Cont'd)
For the year ended 31 December 2020

	2020 Baht	2019 Baht
Cash flows used in financing activities		
<u>Cash flows used in:</u>		
Lease liabilities	(344,544,556)	-
Remittances to Head Office	(10,000,000,000)	(31,727,000,000)
Finance cost	(14,435,178)	(44,016,586)
Net cash used in financing activities	(10,358,979,734)	(31,771,016,586)
Net cash used in financing activities	(10,358,979,734)	(31,771,016,586)
Net increase (decrease) in cash and cash equivalents	1,849,569,068	(2,215,924,105)
Cash and cash equivalents at beginning of year	5,553,565,042	7,769,489,147
Cash and cash equivalents at end of year	7,403,134,110	5,553,565,042

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

1. General information

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

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

181 Surawongse Road, Bangrak, Bangkok 10500.

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

These financial statements were approved by the Branch's management on 9 March 2021.

2. Significant Accounting Policies

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Thai Financial Reporting Standards ("TFRS"). 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 (No. 3) B.E. 2563" dated on 13 May 2020 'OIC Notification'.

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

The preparation of financial statements in conformity with TFRS requires management to use certain critical accounting estimates and to exercise its judgement in applying the Branch's accounting policies. The areas involving a higher degree of judgement, or areas that are more likely to be materially adjusted due to changes in estimates and assumptions are disclosed in Note 5.

An English version of the financial statements have 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.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows:

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020:

- The new financial standards related to financial instruments are as follows:

TAS 32	Financial instruments: Presentation
TFRS 7	Financial instruments: Disclosures
TFRS 9	Financial instruments
TFRIC 16	Hedges of a net investment in a foreign operation
TFRIC 19	Extinguishing financial liabilities with equity instruments
The Accounting Guidance	Financial instruments and disclosures for insurance companies' accounting guidance

The new financial reporting standards and TFAC Accounting Guidance related to financial instruments introduce new classification and measurement requirements for financial instruments as well as provide derecognition guidance on financial assets and financial liabilities. The new guidance also provides an option for the Branch to apply hedge accounting to reduce accounting mismatch between hedged item and hedging instrument. In addition, the new rule provides detailed guidance on financial instruments issued by the Branch whether it is a liability or an equity. Among other things, they require extensive disclosure on financial instruments and related risks.

The new classification requirements of financial assets require the Branch to assess both i) business model for holding the financial assets; and ii) cash flow characteristics of the asset whether the contractual cash flows represent solely payments of principal and interest (SPPI). The classification affects the financial assets' measurement. The new guidance requires assessment of impairment of financial assets as well as contract assets and recognition of expected credit loss from initial recognition.

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 disclosure for insurance companies' accounting guidance' ('The Accounting Guidance') as the Branch has not previously applied any version of TFRS 9 Financial Instrument and the Branch's activities are predominantly connected with insurance business, based on the eligibility assessment the total carrying amount of liabilities connected with insurance of Baht 642,286 million as at 1 January 2018 is greater than 90% of the total carrying amount of all its liabilities. Liabilities connected with insurance included liabilities within the scope of TFRS 4, investment contract liabilities measured at fair value through profit or loss of Baht 2,997 million and certain deferred tax liabilities of Baht 17,044 million.

After the date of eligibility assessment, there has been no change in the Branch's activities that requires a reassessment of the eligibility assessment. Additional information on financial assets in relation to the election of the temporary option is illustrated as follows:

Financial assets of the Branch are separated into (i) financial assets with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) in accordance with TFRS 9 and are not held for trading or managed on fair value basis and (ii) all financial assets other than those specified in (i).

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows: (Cont'd)

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020: (Cont'd)

The following table shows the fair value and change in fair value of these two groups of financial assets:

	Fair value as at 31 December 2020			Change in fair value for the year ended 31 December 2020		
	Financial assets that met SPPI criteria and not held for trading or managed on fair value basis Thousand Baht	Others Thousand Baht	Total Thousand Baht	Financial assets that met SPPI criteria and not held for trading or managed on fair value basis Thousand Baht	Others Thousand Baht	Total Thousand Baht
Debt securities	716,744,643	-	716,744,643	(20,317,956)	-	(20,317,956)
Other financial assets	67,240,992	128,902,999	196,143,991	6,385	(4,120,222)	(4,113,837)
Total	783,985,635	128,902,999	912,888,634	(20,311,571)	(4,120,222)	(24,431,793)

Notes:

- As of 31 December 2019, significant balance of other financial assets qualifying as SPPI includes accrued investment income and cash and cash equivalents whereas the remaining includes equity securities and derivative financial instruments.
- Certain financial assets included within the financial statements, including policy loan, interest receivables, amount due from reinsurance, and other receivables amounting to Baht 31,723 million are not included above since they will be accounted for under TFRS 17 when its adoption is in parallel with TFRS 9.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows: (Cont'd)

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020: (Cont'd)

The financial assets presented above that met SPPI criteria and not held for trading or managed on fair value basis are primarily debt securities.

There is a minor difference between the Accounting Guidance and TFRS 9 in terms of classification and measurement, impairment of equity securities and hybrid contracts. The classification is dependent on the purpose for which the investments were acquired; hence, there is no need to assess business model and cash flow characteristics. An impairment should be assessed not only debt securities but also equity securities. An embedded derivative shall be separated from the host and accounted for as a derivative.

- **TFRS 16, Leases** clarified where the Branch is a lessee, TFRS 16, Leases will result in almost all leases being recognised on the balance sheet as the distinction between operating and finance leases is removed. A right-of-use asset and a lease liability will be recognised, with exception on short-term and low-value leases. On 1 January 2020, the Branch has adopted the new lease standard in its financial statements.
- **Amendment to TAS 12, Income Tax** clarified 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.
- **Amendment to TAS 19, Employee benefits (plan amendment, curtailment or settlement)** clarified 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.
- **Amendment to TAS 23, Borrowing costs** clarified 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.
- **Amendment to TAS 28, Investments in associates and joint ventures (long-term interests in associates and joint ventures)** clarified the accounting for long-term interests in an associate or joint venture, which is in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. The Branch must account for such interests under TFRS 9, Financial instruments before applying the loss allocation and impairment requirements in TAS 28, Investments in associates and joint ventures.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows: (Cont'd)

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020: (Cont'd)
- **TFRIC 23, Uncertainty over income tax treatments** explained 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, i.e. 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.
 - **Change in accounting policy related with deferred acquisition costs**, the Branch has changed the accounting policy related to deferred acquisition for insurance and investment contracts which the costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with and are primarily related to the production of new business or renewal of existing business, are deferred as an asset and are subsequently amortised on a systematical basis. The management considered that such information is more relevant to the decision-making needs of external financial users and no less reliable, or more reliable and no less relevant to those need under TFRS 4 Insurance Contract paragraph 21-30. It is also in alignment with most of other international insurance companies. The change in accounting policy is applying retrospectively. The effects on financial statements are as follows:
 - Statement of financial position: as at 1 January 2019, deferred acquisition and origination costs increased by Baht 65,711 million, deferred tax liabilities increased by Baht 13,142 million, and retained earnings increased by Baht 52,569 million. And as at 31 December 2019, deferred acquisition and origination costs increased by Baht 69,098 million, deferred tax liabilities increased by Baht 13,820 million, and retained earnings increased by Baht 55,278 million.
 - Statement of comprehensive income: for the year ended 31 December 2019, the other underwriting expenses decreased by Baht 1,770 million, commission and brokerages decreased by Baht 1,617 million, income tax expense increased by Baht 677 million, and net profit increased by Baht 2,709 million.
 - **The significant Impact of the first-time adoption of new or amended financial reporting standards to the Branch** are the Accounting Guidance and leases standard (TFRS 16) that applying the modified retrospective which the comparative figures have not been restated. The reclassifications and the adjustments arising from the changes in accounting policies were therefore recognised in the statement of financial position as of 1 January 2020. The impact of first-time adoption of the Accounting Guidance are mention as the follows.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows: (Cont'd)

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020: (Cont'd)

	Notes	As at 31 December 2019 Previously reported Thousand Baht	The Accounting Guidance and TFRS 16 Reclassifications and adjustments Thousand Baht	As at 1 January 2020 Restated Thousand Baht
Assets				
Accrued income on investment	A	5,142,295	(970,819)	4,171,476
Derivative assets	A	7,054,202	8,226,718	15,280,920
Investment in securities	A	880,192,357	753,018	880,945,375
Loans and accrued interest receivables	A	32,240,355	884,886	33,125,241
Other assets right-of-use	B	1,907,604	1,415,893	3,323,497
Total assets		926,536,813	10,309,696	936,846,509
Liabilities and Head Office's Equity				
Liabilities				
Derivative liabilities	A	61,769	3,566,579	3,628,348
Deferred tax liabilities		33,698,517	1,078,045	34,776,562
Other liabilities lease liability	B	32,889,127	1,432,426	34,321,553
Total liabilities		66,649,413	6,077,050	72,726,463
Head Office's Equity				
Remeasurements of investments measured at fair value through other comprehensive income, net of tax	C	138,167,983	1,057,393	139,225,376
Branch's retained earnings	C	79,655,938	3,175,253	82,831,191
Total Head Office's Equity		217,823,921	4,232,646	222,056,567
Total liabilities and Head Office's Equity		284,473,334	10,309,696	294,783,030

AIA Company Limited
Notes to the Financial Statements
For the year ended 31 December 2020

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows: (Cont'd)

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020: (Cont'd)

Note A Financial Instrument: On 1 January 2020, the management has assessed and classified its financial instruments as follows:

Notes	Accrued income on investments Thousand Baht	Derivative assets/liabilities Thousand Baht	Available-for-sale securities Thousand Baht	General investments Thousand Baht	Held-to-maturity securities Thousand Baht	FVOCI Thousand Baht	Designated at fair value through profit or loss Thousand Baht	Amortised cost Thousand Baht	Loans and accrued interest receivables Thousand Baht
Financial assets									
Balance as at 31 December 2019 (Previously reported)	5,142,295	7,054,202	827,757,547	934,353	51,500,000	-	-	-	32,240,355
Reclassify financial instruments with embedded derivatives and warrants from available-for-sale securities to FVPL	-	-	-	-	-	-	-	-	-
Fair value adjustments on derivatives	(79,536)	13,188	(312,160)	-	-	-	298,973	-	-
Adjustment in relation to expected credit loss	-	8,213,530	-	-	-	-	-	-	-
Reclassify equity investments from available-for-sale to FVOCI	-	-	-	-	-	-	-	-	(6,397)
Reclassify debt investments from available-for-sale to FVOCI	-	-	(127,520,582)	-	-	127,520,582	-	-	-
Reclassify general investments to FVOCI	-	-	(699,924,805)	-	-	699,924,805	-	-	-
Reclassify investments from held-to-maturity to amortised cost	-	-	-	(934,353)	-	1,700,558	-	51,500,000	-
Change in presentation of accrued interest receivable	(891,283)	-	-	-	(51,500,000)	-	-	-	891,283
Operating balance 1 January 2020 - the Accounting Guidance adoption	4,171,476	15,280,920	-	-	-	829,145,945	298,973	51,500,000	33,125,241
Financial liabilities									
Balance as at 31 December 2019 (Previously reported)	-	61,769	-	-	-	-	-	-	-
Fair value adjustments on derivatives	-	3,586,579	-	-	-	-	-	-	-
Operating balance 1 January 2020 - the Accounting Guidance adoption	-	3,628,348	-	-	-	-	-	-	-

Notes:

- (a) Reclassification of financial instruments with embedded derivatives and warrants from AFS to FVPL of Baht 312 million with a corresponding adjustment from other comprehensive income to retained earnings of Baht 13 million, net of tax.
- (b) Derivatives: the Branch has derivative assets and liabilities measured on an accrual basis of Baht 7,054 million and Baht 62 million, respectively. Accrued interest receivables and payables were recognised as part of accrued income from investment amounting to Baht 2,476 million and Baht 2,396 million, respectively. These instruments will be remeasured to fair value through profit or loss and reclassified with a corresponding adjustment to retained earnings of Baht 3,638 million, net of tax.
- (c) Impairment of financial assets: the new requirements on the impairment losses will lead to expected credit losses having to be considered and recognised at the initial recognition and subsequent period. The Branch 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. As of 1 January 2020, the Branch recognised impairment losses for investment in securities of Baht 457 million, net of tax, and loans and accrued interest receivables of Baht 5 million, net of tax. The transition adjustment will be recognised as an adjustment to the opening balance of other comprehensive income to retained earnings amounting to Baht 462 million, net of tax.
- (d) AFS classified as FVOCI: as of 1 January 2020, the Branch elected to present in OCI changes in the fair value of all its equity investments and debt instruments previously classified as AFS, because these investments are held as long-term strategic investments / as short to medium term investments. As a result, the Branch's assets with a fair value of Baht 827,445 million were reclassified from AFS to financial assets at FVOCI and fair value gains of Baht 172,694 million were reclassified from unrealised gains (losses) on changes in fair value of investments to the remeasurements of investments measured at fair value through other comprehensive income.
- (e) General investments classified as FVOCI: the Branch has equity instruments measured at cost of Baht 934 million. These instruments will be reclassified and remeasured to fair value through other comprehensive income with a corresponding adjustment to Head Office's equity of Baht 613 million, net of tax.
- (f) Reclassification from held-to-maturity to amortised cost zero-coupon bonds that would have previously been classified as held-to maturity are now classified at amortised cost. The Branch intends to hold the assets to maturity. There was no difference between the previous carrying amount and the revised carrying amount of the financial assets at 1 January 2020 to be recognised in opening retained earnings. However, the Branch recognised an increase of Baht 0 million, net of tax, in the loss allowance for these assets in opening retaining earnings.
- (g) Change in presentation of accrued interest receivable on loans: the Branch changed presentation of accrued interest receivable on loans from accrued income on investments to loans and accrued interest receivables amounting to Baht 891 million.

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows: (Cont'd)

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020: (Cont'd)

Note B Leases: On adoption of TFRS 16, the Branch recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases for leases of land and buildings with lease terms more than 12 months. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2020. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was 2.52%. In addition, the right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepayment. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. The recognised right-of-use assets relate to the following types of assets:

	Thousand Baht
Land	255,380
Buildings and improvements	1,485,290
<u>Less</u> Prepayment	<u>(324,777)</u>
Total right-of-use assets	<u>1,415,893</u>

The reconciliation of lease liabilities are shown as follows:

	Thousand Baht
Operating lease commitments disclosed as at 31 December 2019	435,036
<u>Less</u> Discounted using the lessee's incremental borrowing rate at the date of initial application	<u>(68,300)</u>
<u>Add</u> Adjustments as a result of a different treatment of extension and termination options	<u>990,973</u>
<u>Add</u> Other adjustments	<u>74,717</u>
Lease liabilities recognised as at 1 January 2020	<u>1,432,426</u>

Practical expedients applied

In applying TFRS 16 for the first time, the Branch has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2020 as short-term leases or lease contracts for low value assets, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation (Cont'd)

The accounting policies adopted are consistent with those of the previous financial period, except as described as follows: (Cont'd)

- a) The following relevant new or amended financial reporting standards including change in accounting policies have been adopted for the first time for the year ended 31 December 2020: (Cont'd)

Note C Impact to Head Office's Equity: The impact of these changes on the Branch's equity as of 1 January 2020 are as follows:

	Unrealised gains (losses) on changes in fair value of investments, net of tax Thousand Baht	Remeasurements of investments measured at fair value through other comprehensive income (FVOCI), net of tax Thousand Baht	Effects on retained earnings, net of tax Thousand Baht
Balance as of 31 December 2019 (Previously reported)	138,167,983	-	79,655,938
Reclassification of equity securities from AFS to FVOCI	(25,222,785)	25,222,785	-
Reclassification of debt securities from AFS to FVOCI	(112,932,539)	112,932,539	-
Reclassification of embedded derivatives and warrant from AFS to FVPL	(12,659)	-	12,659
Fair value adjustments on derivatives	-	-	3,638,025
Adjustments in relation to expected credit loss	-	457,088	(462,205)
Reclassification of general investments to FVOCI	-	612,964	-
IFRS 16 adjustments	-	-	(13,226)
Total impact	(138,167,983)	139,225,376	3,175,253
Opening balance as of 1 January 2020	-	-	-
- The Accounting Guidance and TFRS 16 adoption	-	139,225,376	82,831,191

- b) Certain amended financial reporting standards have been issued that are not mandatory for current reporting period and have not been early adopted by the Branch.

- Revised Conceptual Framework for Financial Reporting
- Amendment to TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: disclosures
- Amendment to TAS 1 Presentation of financial statements and TAS 8 Accounting policies, changes in accounting estimates and errors

2. Significant Accounting Policies (Cont'd)

2.2 Foreign Currency translation

a) Functional and presentation currency

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

2.3 Cash and cash equivalents

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

2.4 Premium receivable

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

2.5 Reinsurance transactions

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

The Branch cedes reinsurance in the normal course of business, with retentions varying by line of business. 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.

2. Significant Accounting Policies (Cont'd)

2.6 Deferred acquisition costs

The costs of acquiring new insurance contracts, including commissions and distribution costs, underwriting and other policy issue expenses which vary with and are primarily related to the production of new business or renewal of existing business, are deferred as an asset. Deferred acquisition costs are assessed for recoverability in the year of policy issue to ensure that these costs are recoverable out of the estimated future margins to be earned on the policy. Deferred acquisition costs are assessed for recoverability at least annually thereafter. To the extent that acquisition costs are not considered to be recoverable at inception or thereafter, these costs are expensed in the statement of comprehensive income. Deferred acquisition costs for insurance are amortised on a systematic basis.

2.7 Investment in securities

For the year ended 31 December 2020

a) Classification

From 1 January 2020, the Branch classifies its financial assets as follows:

- Investments measured at fair value through profit or loss (FVPL)
- Investments measured at fair value through other comprehensive income (FVOCI)
- Investments measured at amortised cost (AMC)
- Investments designated at fair value through profit or loss (FVO)

On the adoption of TAS 32 and the Accounting Guidance, the Branch shall classify financial instruments as equity instruments or debt instruments follow definition in paragraph 11 of TAS 32.

b) Recognition and derecognition

Regular way purchases, acquisitions and sales of financial assets are recognised on trade-date, the date on which the Branch commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all the risks and rewards of ownership.

c) Measurement

At initial recognition, the Branch measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

For financial assets with embedded derivatives, the Branch designated the entire hybrid contract as fair value through profit or loss.

2. Significant Accounting Policies (Cont'd)

2.7 Investment in securities (Cont'd)

For the year ended 31 December 2020 (Cont'd)

d) Debt instruments

Subsequent measurement of debt instruments depends on the Branch's classification of the financial assets. There are four measurement categories into which the Branch classifies its debt instruments:

- FVPL: Financial assets that are acquired principally for the purpose of generating a profit from short-term fluctuations in price, includes those do not meet the criteria for amortised cost or FVOCI, are measured at FVPL. A gain or loss on investments that is subsequently measured at FVPL is recognised in profit or loss and presented net within fair value gains (losses) in the period in which it arises.
- FVOCI: Financial assets intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates. Movements in the carrying amount are taken through other comprehensive income (OCI), expect for the recognition of impairment gains or losses, interest income using the effective interest method, and foreign exchange gains and losses which are recognised in profit or loss. When the financial assets are derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in gains (losses) on investment. Interest income is included in net investment income. Impairment expenses are presented separately in the statement of comprehensive income.
- AMC: Financial assets with fixed maturity that the management has the intention and ability to hold to maturity. Interest income from these financial assets is included in net investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in fair value gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of comprehensive income.
- FVO: Financial assets irrevocably designated at fair value though profit or loss in order to eliminate or significantly reduce a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains or losses on them on different bases. A gain or loss on these investments is recognised in profit or loss and presented net within fair value gains (losses) in the period in which it arises.

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.

2. Significant Accounting Policies (Cont'd)

2.7 Investment in securities (Cont'd)

For the year ended 31 December 2020 (Cont'd)

e) Equity instruments

The Branch measures all equity instruments at fair value where the Branch has elected to present fair value gains and losses on equity instruments in OCI and on mutual funds in profit or loss. Dividends from such investments continue to be recognised in profit or loss as investment income when the right to receive payments is established.

The Branch presents its investments in Real Estate Investment Trust (REIT), Infrastructure Trust, and Property Fund established and registered in Thailand as equity investments and measures them at FVPL following the TFAC's clarification, "Interpretation of investments in Property Fund unit trusts, Real Estate Investment Trust units, Infrastructure Fund units, and Infrastructure Trust units established and registered in Thailand" dated 25 June 2020. The funds and trusts are required to distribute benefits of not less than 90% of its adjusted net profit.

f) Impairment

Debt instruments

From 1 January 2020, the Branch applies the Accounting Guidance general approach in measuring the financial assets carried at AMC and FVOCI. Under the general approach, the 12-month or the lifetime expected credit loss is applied depending on whether there has been a significant increase in credit risk since the initial recognition.

The Branch 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.

The significant increase in credit risk (from initial recognition) assessment is performed every end of reporting period by comparing i) expected risk of default as of the reporting date and ii) estimated risk of default on the date of initial recognition.

When measuring expected credit losses, the Branch reflects the following:

- probability-weighted estimated uncollectible amounts;
- time value of money; and
- supportable and reasonable information as of the reporting date about past experience, current conditions and forecasts of future situations.

The expected credit losses are recognised in profit or loss as a separate line item.

2. Significant Accounting Policies (Cont'd)

2.7 Investment in securities (Cont'd)

For the year ended 31 December 2020 (Cont'd)

f) Impairment (Cont'd)

Equity instruments

A test for impairment of equity instruments 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.

For the year ended 31 December 2019

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.

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.

2. Significant Accounting Policies (Cont'd)

2.7 Investment in securities (Cont'd)

For the year ended 31 December 2019 (Cont'd)

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.

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.

2.8 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 13).

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.

2.9 Loans

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

Expected credit loss is assessed primarily on an analysis of payment histories, future expectations of borrowers repayments and the aging of accounts receivable and collaterals.

2.10 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.

2. Significant Accounting Policies (Cont'd)

2.10 Investment property (Cont'd)

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, 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.

2.11 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.

2.12 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.

2. Significant Accounting Policies (Cont'd)

2.12 Property, plant and equipment (Cont'd)

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.

2.13 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.

2. Significant Accounting Policies (Cont'd)

2.14 Impairment of assets

Assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Assets that are subject to amortisation are reviewed for impairment whenever there is an indication of impairment. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2.15 Leases

For the year ended 31 December 2020

Accounting for leases - where the Branch is the lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Branch. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Contracts may contain both lease and non-lease components. The Branch allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise facsimiles.

2. Significant Accounting Policies (Cont'd)

2.15 Leases (Cont'd)

For the year ended 31 December 2020 (Cont'd)

Accounting for leases - where the Branch is the lessor

Rental income under operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

For the year ended 31 December 2019

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.

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.

2.16 Insurance and investment contract

2.16.1 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 classifies between short term or long term insurance contract liabilities in accordance with Risk-Based Capital Report.

2. Significant Accounting Policies (Cont'd)

2.16 Insurance and investment contract (Cont'd)

2.16.1 Product classification (Cont'd)

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.

2.16.2 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 net of deferred acquisition costs 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.

2. Significant Accounting Policies (Cont'd)

2.16 Insurance and investment contract (Cont'd)

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

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.

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.

2. Significant Accounting Policies (Cont'd)

2.16 Insurance and investment contract (Cont'd)

2.16.3 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.

2.17 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.

2. Significant Accounting Policies (Cont'd)

2.18 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.

2.19 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.

2. Significant Accounting Policies (Cont'd)

2.20 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.

2.21 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.

2. Significant Accounting Policies (Cont'd)

2.21 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

Acquisition costs are expenses of an insurer which are incurred in connection with the acquisition of new insurance contracts or the renewal of existing insurance contracts. They include commissions and the direct costs of issuing the policy, such as underwriting and other policy issue expenses. These costs are deferred and expensed to the statement of comprehensive income on a systematic basis over the life of the policy. Such assets are tested for recoverability at least annually.

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.

2. Significant Accounting Policies (Cont'd)

2.22 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, investment liabilities, derivative liabilities, and certain balances included in other liabilities. The particular recognition methods adopted are disclosed in the individual accounting policy associated with each item.

2.23 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting period. The method of recognising the resulting gain or loss depends on whether or not the derivative is applied hedge accounting, and if so, the nature of the item being hedged.

Derivative financial instruments that are not applied hedge accounting is remeasured at fair values which are obtained from quoted market price, or other widely used methods. Gain or loss on such agreements and changes in related fair values as at period end are reflected in profit or loss.

When derivatives financial instruments are applied hedge accounting, the Branch measures derivatives classified as hedging transactions according to the natures of items being hedged. The Branch designates certain derivatives as:

1) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged items that are attributable to the hedged risk.

2) Cash flow hedge

The effective portion of changes in fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain and loss relating to the ineffective portion is recognised immediately in profit or loss. Amount accumulated in equity are recycled to profit or loss in the periods in which the hedged item will affect profit or loss.

3) Net investment in foreign operation hedge

Hedge of net investment in foreign operations are accounted for similar to cash flow hedge.

At the inception of the hedge, the Branch documents the relationship between hedged items and hedging instruments, as well as their risk management objective. The Branch also assesses the hedge effectiveness in offsetting changes in fair values or cash flows of hedged items on an ongoing basis both at the hedge inception and every financial reporting date.

2. Significant Accounting Policies (Cont'd)

2.23 Derivatives and hedging activities (Cont'd)

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedge is recognised in the cash flow hedge reserve within Head Office's equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within fair value gain/loss. When cross currency swap contracts are used to hedge interest rate risk and foreign exchange risk, the Branch chooses to exclude the foreign currency basis spread from the designation of the derivatives as hedging instruments. Gains or losses relating to the effective portion of the change in fair value of cross currency swap contracts excluding foreign currency basis spread are recognised in the cash flow hedge reserve within Head Office's equity. The change in foreign currency basis spread at the swap contract that relates to the hedged item is recognised within other comprehensive income in the costs of hedging reserve within Head Office's equity.

Amounts accumulated in Head Office's equity are reclassified in the periods when the hedged item affects profit or loss. When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in Head Office's equity at that time remains in Head Office's equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative deferred gain or loss and deferred costs of hedging that were reported in Head Office's equity are immediately reclassified to profit or loss.

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivatives instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in fair value gain/loss.

2.24 Collateral

Cash received and pledged as a collateral to a counterparty 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.

2.25 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.

3. Risk management

The Branch recognises the importance of sound risk management in every aspect of our business and for all our stakeholders. The Risk Management Framework (RMF) provides the structure for identifying, quantifying and mitigating risk which is following AIA Group's policies. An effective RMF is the key to avoiding the financial and reputational damage that arises from inadequate or ineffective control of the risks in the business. 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), Product Development Committee (PDC) and Operational Risk Committee (ORC) which directly report to the Branch's key management.

Insurance risk

Insurance risk is the risk arising from changes in claims experience as well as more general exposure relating to the acquisition and persistency of insurance business. This also includes changes to assumptions regarding future experience for these risks.

Lapse

Lapse risk is the risk policies lapse, on average, earlier than assumed in the pricing.

Ensuring customers buy products that meet their needs is central to the AIA Group's Operating Philosophy. Through effective implementation of the Business Quality Framework, comprehensive sales training programmes and active monitoring of sales activities and persistency, the Branch seeks to ensure that appropriate products are sold by qualified sales representatives and that standards of service consistently meet our customers' needs.

Expenses

Expense risk is the risk of greater than expected trends in, or sudden shocks to, the amount or timing of expenses incurred by the business.

Daily operations follow a disciplined budgeting and control process that allows for the management of expenses based on the Branch's very substantial experience within the markets in which we operate.

Morbidity and mortality

Morbidity and mortality risk are the risk that the incidence and/or amounts of medical/death claims are higher than the assumptions made in pricing.

The Branch adheres to well-defined market-oriented underwriting and claims guidelines and practices that have been developed based on extensive historical experience.

The Branch's actuarial teams conduct regular experience studies of all the insurance risk factors in its in-force book. These internal studies together with external data are used to identify emerging trends which can then be used to inform product design, pricing, underwriting, claims management and reinsurance needs.

Through monitoring the development of both local and global trends in medical technology, health and wellness, the impact of legislation and general social, political and economic conditions the Branch 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.

3. Risk management (Cont'd)

Credit risk

Credit risk is the risk that third parties fail to meet their obligations to the Branch when they fall due. Although the primary source of credit risk is the Branch's investment portfolio, such risk can also arise through reinsurance, procurement, and treasury activities.

The Branch credit risk is oversight by the Group's credit risk management and accountability by the Branch lines of defence. A key to AIA's credit risk management is adherence to a well-controlled underwriting process. The credit risk management starts with the assignment of an internal rating to all counterparties. A detailed analysis of each counterparty is performed, and a rating determined by the investment teams.

The Branch's Risk Management function manages the internal ratings framework and conducts periodic rating reviews. Measuring and monitoring of credit risk is an ongoing process and is designed to enable early identification of emerging risk.

Proportion of the significant financial instruments' stated at fair value grouped by rating are as follows:

	2020 Thousand Baht
Debt securities	
AAA	51,843,765
AA	10,033,350
A	27,089,100
BBB	654,772,509
Below investment grade	24,505,919
Total	<u>768,244,643</u>
Equities securities	
Listed	86,482,254
Unlisted	1,821,624
Total	<u>88,303,878</u>

The reported rating is mapped as follows:

External			
Standard and Poor's and Fitch	Moody's	Internal ratings	Reported as
AAA	Aaa	1	AAA
AA+ to AA-	Aa1 to Aa3	2+ to 2-	AA
A+ to A-	A1 to A3	3+ to 3-	A
BBB+ to BBB-	Baa1 to Baa3	4+ to 4-	BBB
BB+ and below	Ba+ and below	5+ and below	Below investment grade

Interest rate risk

The Branch's exposure to interest rate risk predominantly arises from any differences between the duration of the Branch's liabilities and assets. Since most markets do not have assets of sufficient tenor to match life insurance liabilities, an uncertainty arises around the reinvestment of maturing assets to match the Branch's insurance liabilities.

3. Risk management (Cont'd)

Interest rate risk (Cont'd)

AIA manages interest rate risk primarily on an economic basis to determine the durations of both assets and liabilities. Interest rate risk on solvency basis is also taken into consideration for business units where solvency regimes deviate from economic basis. Furthermore, for products with discretionary benefits, additional modelling of interest rate risk is performed to guide determination of appropriate management actions. Management also takes into consideration the asymmetrical impact of interest rate movements when evaluating products guarantees.

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below.

	Variable interest rate				Fixed interest rate				Non-interest bearing Thousand Baht	Total Thousand Baht	Interest rate (% p.a)
	Within 1 year		1 - 5 years		Over 5 years		Over 5 years				
	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht			
As at 31 December 2020											
Financial assets											
Cash and cash equivalents	2,026,611	-	-	-	-	-	1,098,000	-	4,278,523	7,403,134	0.05%-0.22%
Accrued income on investments	-	-	-	-	-	-	-	-	3,552,947	3,552,947	-
Derivative assets	-	-	-	-	-	-	-	-	10,981,408	10,981,408	1.01%-7.78%
Investment in securities	508,136	-	-	-	-	-	37,455,327	77,374,682	91,360,835	859,605,478	0.18%-9.75%
Loans and accrued interest receivables	45,464	1,379,875	-	-	-	-	-	8,374	898,189	33,104,295	4.01%-11.50%
Assets held to cover linked liabilities	-	-	-	-	-	-	-	-	35,766,024	35,766,024	-
Other assets (partial)	2,010,301	-	-	-	-	-	-	-	-	2,010,301	0.40%-0.50%
Total financial assets	4,590,512	1,379,875	-	-	-	-	38,553,327	77,383,056	146,837,926	952,423,587	
Financial liabilities											
Derivative liabilities	-	-	-	-	-	-	-	-	9,205,268	9,205,268	0.59%-9.75%
Other liabilities (partial)	2,811,765	-	-	-	-	-	-	-	-	2,811,765	0.40%-0.50%
Total financial liabilities	2,811,765	-	-	-	-	-	-	-	9,205,268	12,017,033	

3. Risk management (Cont'd)

Interest rate risk (Cont'd)

Significant financial assets and liabilities classified by type of interest rates are summarised in the table below. (Cont'd)

	Variable interest rate Thousand Baht	Fixed interest rate Thousand Baht	Non- interest bearing Thousand Baht	Total Thousand Baht
As at 31 December 2019				
<u>Financial assets</u>				
Cash and cash equivalents	1,214,364	285,000	4,054,201	5,553,565
Accrued income on 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
<u>Financial liabilities</u>				
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

Sensitivity

Profit or loss is sensitive to higher or lower interest income from cash and cash equivalents, investment in securities, loans and accrued interest receivables and part of other assets and other liabilities as a result of changes in interest rates. Other components of equity change as a result of an increase or decrease in the fair value of the cash flow hedges of investment in securities and the fair value of investments measured at fair value through other comprehensive income.

As at 31 December 2020, when the interest rate increases or decreases 50 basis point shift in yield curve given that all other variable remains constant, the impact to other components of equity decrease by Baht 41,243 million and increase by Baht 47,355 million, respectively. (No impact towards net profit and loss).

3. Risk management (Cont'd)

Equity Price risk

Equity price risk arises from changes in the market value of equity securities. Investments in equity securities on a long-term basis are expected to align policyholders expectations, provide diversification benefits and enhance returns. The extent of exposure to equities at any time is subject to the terms of the Branch's strategic asset allocations.

Equity price risk is managed in the first instance through the individual investment mandates which define benchmarks and any tracking error targets. Equity limits are also applied to contain individual exposures. Equity exposures are included in the aggregate exposure reports on each individual counterparty to ensure concentrations are avoided.

As at 31 December 2020 and 2019, the Branch had risk from its investments in securities of which the price will change with reference to market conditions. The Branch will manage investment portfolios according to investment plan approved by Investment Committee, in accordance to investment policies under related Notification of Office of Insurance Commission.

Sensitivity

The table below summarises the impact of increases/decreases of these equity indices on the Branch's other components of equity and net profit for the period.

	2020	
	Impact on post tax profit Thousand Baht	Impact to other components of equity Thousand Baht
Equity price - Increase by 10%*	-	8,830,388
Equity price - Decrease by 10%*	-	(8,830,388)

*Holding all other variables constant and all the Branch's equity instruments moved in line with the index

Foreign exchange rate risk

The foreign currency rate risk occurs from assets or liabilities in other foreign currencies other than Thai Baht which is functional and reporting currency. The significant foreign currency exposure is from offshore investment and the Branch manages by using the financial instrument to hedge its exposure to foreign exchange rate risk e.g. cross currency swap and interest rate swap with basis spread as disclosed in Note 11.

The Branch uses cross currency swaps to hedge the exposure to foreign currency risk. Under the Branch's policy, the critical terms of the swaps must be aligned with the hedged items. The Branch only designates the intrinsic value of cross currency swaps in hedge relationships. The changes in the basis spread of the cross-currency swaps that relate to hedged items are deferred in the deferred cost of hedge.

3. Risk management (Cont'd)

Foreign exchange rate risk (Cont'd)

The Branch's exposure to foreign exchange rate risk at the end of the reporting period, expressed in Baht are as follows:

	2020	
	U.S. Dollar Thousand Baht	Euro Thousand Baht
Cash and cash equivalent	44,741	-
Investment in debt securities	106,788,755	2,813,655

Effects of hedge accounting on the financial position and performance

As of 31 December 2020, foreign currency-related hedging relationship of the Branch is entirely designated as cash flow hedge. The Branch has no foreign currency-related hedging instruments that designate neither as fair value hedge nor net investment in foreign operation.

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises from financial assets and financial liabilities denominated in U.S. Dollar and Euro. The impact on other components of equity arises from cross currency swaps designated as cash flow hedges.

The table below shows the exchange rates sensitivity for the financial assets and financial liabilities held as at reporting date.

	2020	
	Impact to net profit Thousand Baht	Impact to other components of equity Thousand Baht
<i>Foreign exchange - Increase by 5%*</i>		
U.S. Dollar	5,339,545	-
Euro	140,679	-
<i>Foreign exchange - Decrease by 5%*</i>		
U.S. Dollar	(5,339,545)	-
Euro	(140,679)	-

* Holding all other variables constant

3. Risk management (Cont'd)

Liquidity risk

The Branch identifies liquidity risk as financial liquidity risk and investment liquidity risk. Financial liquidity risk is the risk that the Branch may have insufficient cash to meet payment obligations to counterparties as they fall due. One area of particular focus in the management of financial liquidity is collateral. The Branch manages this exposure by determining limits for its activities in the derivatives and repurchase agreement markets based on the collateral available within the relevant fund or subsidiary to withstand extreme market events. More broadly the Branch supports its liquidity through committed bank facilities and use of the bond repurchase.

Investment liquidity risk occurs in relation to the Branch's ability to buy and sell investments. This is a function of the size of the Branch's holdings relative to the availability of counterparties willing to buy or sell these holdings at any given time. In times of stress, market losses will generally be compounded by forced sellers seeking unwilling buyers.

While life insurance companies are characterised by a relatively low need for liquidity to cover those of their liabilities which are directly linked to mortality and morbidity, this risk is nevertheless carefully managed by continuously assessing the relative liquidity of the Branch's assets and managing the size of individual holdings through limits.

The table below analyses the maturity of financial liabilities grouping based on their contractual maturities. The amounts disclosed are the contractual undiscounted cash flows. The time-to-maturity of significant financial assets is disclosed in Note 12.1.1.

	Within 1 month Thousand Baht	1 - 3 months Thousand Baht	3 - 12 months Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
As at 31 December 2020						
Other liabilities (partial)	25,784,076	4,923	38,400	41,424	7,178	25,876,001
Total financial liabilities	25,784,076	4,923	38,400	41,424	7,178	25,876,001

Capital 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.

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4. Fair value

4.1 Fair value estimation

The following table shows fair values and carrying amounts of financial assets and liabilities by category.

	Fair value through profit or loss (FVPL) Thousand Baht	Fair value through other comprehensive income (FVOCI) Thousand Baht	Amortised cost (AMC) Thousand Baht	Designated at Fair value through profit or loss (FVO) Thousand Baht	Total carrying amount Thousand Baht	Fair value Thousand Baht
As at 31 December 2020						
Assets						
<i>Financial assets measured at fair value</i>						
Derivative assets	10,981,408	-	-	-	10,981,408	10,981,408
Investment in securities						
Investments measured at fair value through profit or loss	1,061	-	-	-	1,061	1,061
Investments measured at fair value through other comprehensive income						
Debt securities	-	733,267,052	-	-	733,267,052	716,744,643
Equity securities	-	71,781,469	-	-	71,781,469	88,303,878
Investments designated at fair value through profit or loss	-	-	-	3,055,896	3,055,896	3,055,896
Investment property	17,405,400	-	-	-	17,405,400	17,405,400
Assets held to cover linked liabilities	35,766,024	-	-	-	35,766,024	35,766,024
Land and building	-	1,196,000	-	-	1,196,000	1,196,000
<i>Financial assets not measured at fair value</i>						
Cash and cash equivalents	-	-	7,403,134	-	7,403,134	7,403,134
Investment measured at amortised cost	-	-	51,500,000	-	51,500,000	51,500,000
Mortgage loans, net	-	-	1,440,922	-	1,440,922	1,440,922
Total assets	64,153,893	806,244,521	60,344,056	3,055,896	933,798,366	933,798,366

4. Fair value (Cont'd)

4.1 Fair value estimation (Cont'd)

The following table shows fair values and carrying amounts of financial assets and liabilities by category. (Cont'd)

	Fair value through profit or loss (FVPL) Thousand Baht	Fair value through other comprehensive income (FVOCI) Thousand Baht	Amortised cost (AMC) Thousand Baht	Designated at Fair value through profit or loss (FVO) Thousand Baht	Total carrying amount Thousand Baht	Fair value Thousand Baht
As at 31 December 2020 (Cont'd)						
Liabilities						
<i>Financial liabilities measured at fair value</i>						
Derivative liabilities	9,205,268	-	-	-	9,205,268	9,205,268
<i>Financial liabilities not measured at fair value</i>						
Lease liabilities	-	-	1,396,338	-	1,396,338	1,396,338
Total liabilities	9,205,268	-	1,396,338	-	10,601,606	10,601,606

4. Fair value (Cont'd)

4.1 Fair value estimation (Cont'd)

The following table presents the Branch's assets and liabilities that are measured and recognised at fair value as at 31 December 2020 and 2019.

	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
As at 31 December 2020				
Assets				
Derivative assets	22,595	10,958,813	-	10,981,408
Investment in securities				
Investments measured at fair value through profit or loss	1,061	-	-	1,061
Investments measured at fair value through other comprehensive income				
Debt securities	-	716,744,643	-	716,744,643
Equity securities	86,482,254	-	1,821,624	88,303,878
Investments designated at fair value through profit or loss	2,901,328	154,568	-	3,055,896
Investment property	-	-	17,405,400	17,405,400
Assets held to cover linked liabilities	35,766,024	-	-	35,766,024
Land and building	-	-	1,196,000	1,196,000
Total assets	<u>125,173,262</u>	<u>727,858,024</u>	<u>20,423,024</u>	<u>873,454,310</u>
Liabilities				
Derivative liabilities	-	9,205,268	-	9,205,268
Total liabilities	<u>-</u>	<u>9,205,268</u>	<u>-</u>	<u>9,205,268</u>
	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	457	-	-	457
Available-for-sale securities				
Debt securities	-	700,223,778	-	700,223,778
Equity securities	127,533,769	-	-	127,533,769
Investment property	-	-	16,849,643	16,849,643
Assets held to cover linked liabilities	27,720,158	-	-	27,720,158
Land and building	-	-	1,201,000	1,201,000
Total assets	<u>155,254,384</u>	<u>700,223,778</u>	<u>18,050,643</u>	<u>873,528,805</u>

The Branch has no transfer between levels during the year.

4. Fair value (Cont'd)

4.2 Valuation techniques used to derive Level 1 fair values

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

4.3 Valuation techniques used to derive Level 2 fair values

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

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

Level 2 derivative assets and liabilities are fair valued using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable interest rate and foreign currency exchange rate.

There were no changes in valuation techniques during the year.

4.4 Valuation techniques used to derive Level 3 fair values

The changes in investment property and land and building are disclosed in Notes 15 and 17, 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.

4. Fair value (Cont'd)

4.4 Valuation techniques used to derive Level 3 fair values (Cont'd)

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

	Investments measured at fair value through other comprehensive income Equity security 2020 Thousand Baht	Available-for-sale Equity security 2019 Thousand Baht
Beginning balance as at 1 January	1,700,558	10,192
Transfer out of Level 3		
Book value	-	(31,675)
Loss recognised in profit or loss	-	21,483
Net Carrying value at transfer date	1,700,558	-
Gain on remeasuring investments measured at fair value through other comprehensive income	121,066	-
Closing balance as at 31 December	1,821,624	-

Key unobservable input is discount rate. The increase or decrease in discount rate by 1% will impact the fair value of these instruments by decreasing 1.13% and increasing 1.26%, respectively.

For the year ended 31 December 2019, 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. Certain securities have been entirely disposed in 2019.

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.

4. Fair value (Cont'd)

4.4 Valuation techniques used to derive Level 3 fair values (Cont'd)

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 (if any) are analysed at the reporting date by management

4.5 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 2020				
Assets for which the fair value is disclosed				
Financial assets				
Investment in securities				
Investment measured at amortised cost	-	51,500,000	-	51,500,000
Mortgage loans, net	-	1,440,922	-	1,440,922
Total asset for which the fair value is disclosed	-	52,940,922	-	52,940,922
As at 31 December 2019				
Assets for which the fair value is disclosed				
Financial assets				
Derivative assets	-	15,223,677	-	15,223,677
Investment in securities				
Held to maturity	-	51,500,000	-	51,500,000
General investments	-	-	1,700,558	1,700,558
Mortgage loans, net	-	1,462,409	-	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	-	-	716,019	716,019
Derivative liabilities	-	3,569,490	-	3,569,490
Total liabilities for which the fair value is disclosed	-	3,569,490	716,019	4,285,509

4. Fair value (Cont'd)

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

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.

5. 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.

5.1 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 2.16.1.

5.2 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.

5. Critical accounting estimates and judgements (Cont'd)

5.3 Deferred acquisition costs

The judgements exercised in the deferral and amortisation of acquisition costs affect amounts recognised in the financial statements as deferred acquisition costs and insurance and investment contract benefits.

Additional details of deferred acquisition and origination costs are provided in Note 2.6 and 10.

5.4 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.

5.5 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 4.4.

5.6 Impairment of investments

The Branch determines an impairment of investments in equity securities 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.

The expected credit losses for investment in debt securities are based on assumptions about default risk, credit rating and expected loss rates. The Branch uses judgement in making these assumptions and selecting the inputs used in the impairment calculation, based on the Branch's past history and existing market conditions at the end of each reporting period.

5.7 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.

6. Cash and cash equivalents

	2020 Thousand Baht	2019 Thousand Baht
Cash on hand	35,626	23,821
Deposits held at call with banks and financial institutions	4,094,109	2,785,010
Short-term investments	3,273,399	2,744,734
Cash and cash equivalents	<u>7,403,134</u>	<u>5,553,565</u>

7. Premium receivables

The balances of premium receivables were aged as follows:

	From direct insurance	
	2020 Thousand Baht	2019 Thousand Baht
Current	6,633,074	6,039,061
Overdue		
Not over 30 days	2,458,363	1,118,250
31 - 60 days	1,147,367	10,211
61 - 90 days	66,774	5,758
Over 90 days	6,043	5,258
Total premium receivables	<u>10,311,621</u>	<u>7,178,538</u>

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

8. Reinsurance assets

The details of reinsurance assets are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Claim incurred but not reported	183,299	141,030
Unearned premium reserve	84,173	85,780
Others (Note 33 (b))	4,205	4,723
Total reinsurance assets	<u>271,677</u>	<u>231,533</u>

9. Amount due from reinsurance

The details of amount due from reinsurance are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Due from reinsurance (Note 33 (b))	2,148	628
Total amount due from reinsurance	2,148	628

The amount due from reinsurance was aged as follows:

	2020 Thousand Baht	2019 Thousand Baht
Current	2,148	628
Overdue		
Not over 12 months	-	-
1-2 years	-	-
Over 2 years	-	-
Total amount due from reinsurance	2,148	628

10. Deferred acquisition costs

The movements details are below:

	2020 Thousand Baht	(Restated) 2019 Thousand Baht
At beginning of financial year	69,097,879	65,711,073
Deferral of acquisition costs	14,662,366	17,506,035
Amortisation of acquisition costs	(13,746,062)	(14,119,229)
Closing balance at the end of year	70,014,183	69,097,879

11. Derivative assets and liabilities

	2020 Fair value	
	Assets Thousand Baht	Liabilities Thousand Baht
Held for hedge derivatives		
- Applied hedge accounting	9,783,913	8,622,837
- Not applied hedge accounting	1,197,495	582,431
Total derivatives	10,981,408	9,205,268

11. Derivative assets and liabilities (Cont'd)

Derivative assets and liabilities which applied hedge accounting are as follows:

	Number of contracts	Purpose	2020		Fair value		Fair value losses on derivatives	
			Face value		Assets		Liabilities	
			Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Cross currency swap and forward contracts	223	Closing financial position of investment in foreign currency	72,520,644	13,863,291	4,355,550	870,176	(3,655,992)	
Interest rate swap contracts	335	Closing position of floating interest rate	-	-	5,428,363	7,752,661	(4,286,621)	
Total	558		72,520,644	13,863,291	9,783,913	8,622,837	(7,942,613)	

Derivative assets and liabilities which are not applied hedge accounting are as follows:

	Number of contracts	Purpose	2020		Fair value		Fair value losses on derivatives	
			Face value		Assets		Liabilities	
			Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht	Thousand Baht
Cross currency swap and forward contracts	34	Closing financial position of investment in foreign currency	13,260,728	395,150	770,639	27,493	(1,768,699)	
Interest rate swap contracts	24	Closing position of floating interest rate	-	-	404,261	554,938	(174,527)	
Warrants	-		-	-	22,595	-	9,408	
Subscription rights	-		-	-	-	-	(8,182)	
Total	58		13,260,728	395,150	1,197,495	582,431	(1,942,000)	

11. Derivative assets and liabilities (Cont'd)

Effects of hedge accounting on the financial position and performance

As of 31 December 2020, foreign currency-related hedging relationship of the Branch is entirely designated as cash flow hedge. The Branch has no foreign currency-related hedging instruments that designate neither as fair value hedge nor net investment in foreign operation.

- i) The effects of the foreign currency-related hedging instruments on the Branch's financial position and performance are as follows:

	2020
	Cross-currency swaps and interest rate swaps with basis spread Thousand Baht
Assets	
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	
Hedging gains or losses recognised in other comprehensive income	251,812
Hedge ineffectiveness recognised in profit or loss	-
Reclassification adjustment from cash flow hedge reserve into profit or loss	-
Reclassification adjustment from deferred cost of hedge into profit or loss	-
Liabilities	
Change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period	
Hedging gains or losses recognised in other comprehensive income	(8,194,425)
Hedge ineffectiveness recognised in profit or loss	-
Reclassification adjustment from cash flow hedge reserve into profit or loss	(757,974)
Reclassification adjustment from deferred cost of hedge into profit or loss	(294,150)

Note:

The Branch separately presents certain hedging instrument according to its position at the end of the reporting year, either as derivative assets or derivative liabilities. While, the hedge ineffectiveness and reclassification adjustment are recognised as fair value gain/loss.

11. Derivative assets and liabilities (Cont'd)

Effects of hedge accounting on the financial position and performance (Cont'd)

As of 31 December 2020, foreign currency-related hedging relationship of the Branch is entirely designated as cash flow hedge. The Branch has no foreign currency-related hedging instruments that designate neither as fair value hedge nor net investment in foreign operation. (Cont'd)

- ii) The effects of the foreign currency-related hedged item on the Branch's financial position and performance are as follows:

	2020
	Investment in debt securities Thousand Baht
Change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period	19,980,313
Remaining cash flow hedge reserve and deferred cost of hedge for continuing hedges	15,610,181
Remaining cash flow hedge reserve and deferred cost of hedge from any hedging relationships for which hedge accounting is no longer applied	4,370,132

- iii) The effects of the foreign currency-related cash flow hedge and cost of hedge on the Branch's financial position and performance during the year are as follows:

	2020
	Time-period related hedged items Thousand Baht
<i>Cash flow hedge reserve</i>	
Beginning balance	-
Hedging gains or losses recognised in other comprehensive income during the year	5,661,061
Reclassification adjustment to profit or loss during the year	(757,974)
Closing balance	4,903,087
<i>Deferred Cost of hedge</i>	
Beginning balance	-
Hedging gains or losses recognised in other comprehensive income during the year	1,456,786
Reclassification adjustment to profit or loss during the year	(294,150)
Closing balance	1,162,636

Note:

As of 31 December 2020, entire cash flow hedge and cost of hedge of the Branch associated with the cross currency swaps and interest rate swaps with basis spread that hedge time-period related hedged items.

11. Derivative assets and liabilities (Cont'd)

Effects of hedge accounting on the financial position and performance (Cont'd)

As of 31 December 2020, foreign currency-related hedging relationship of the Branch is entirely designated as cash flow hedge. The Branch has no foreign currency-related hedging instruments that designate neither as fair value hedge nor net investment in foreign operation. (Cont'd)

iv) The face value splits by times as the nature of derivative, shown as below:

	Within 1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht
As at 31 December 2020			
Face value	983,343	(4,735,415)	(20,780,702)
Average foreign exchange rate (U.S. Dollar)	30.90	31.07	30.84
Average foreign exchange rate (Euro)	34.37	33.46	35.00
Notional interest rate (range)	0.12% - 9.75%	0.94% - 9.75%	0.58% - 9.75%

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11. Derivative assets and liabilities (Cont'd)

Derivative assets and liabilities which are not applied hedge accounting are as follows:

Type of contract	Purpose	Number of contracts	2019			
			Notional value		Book value	
			Thousand Baht	Thousand Baht	Assets Thousand Baht	Liabilities Thousand Baht
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	315	107,142,966	7,054,202		61,769
Interest rate swap contracts	Closing position of floating interest rate	342	-	-		-
Total		657	107,142,966	7,054,202		61,769

As of 31 December 2019, the Branch did not apply hedge accounting on the derivative financial instruments. The Branch hedged the risk on foreign currency offshore bonds and debentures by entering into cross currency swap contracts with local banks and branches of foreign banks. The face value of these hedges is U.S. Dollar 3,181 million and Euro 108 million which 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.

12. Investment in securities

The details of investment in securities are as follows:

	2020		2019	
	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht
<u>Investments measured at fair value through profit or loss</u>				
Equity securities - mutual funds	1,046	1,061	-	-
Total	1,046	1,061	-	-
<u>Add</u> Unrealised gains	15	-	-	-
Total investments measured at fair value through profit or loss	1,061	1,061	-	-
<u>Investments measured at fair value through other comprehensive income</u>				
Government and state enterprise securities	432,631,007	536,917,863	-	-
Private enterprise debt securities	76,157,491	81,889,998	-	-
Foreign debt securities	85,112,150	97,936,782	-	-
Equity securities	72,086,757	88,303,878	-	-
Total	665,987,405	805,048,521	-	-
<u>Add</u> Unrealised gains	139,366,404	-	-	-
<u>Less</u> Provision for impairment on equity securities	(305,288)	-	-	-
Total investments measured at fair value through other comprehensive income	805,048,521	805,048,521	-	-
<u>Investment measured at amortised cost</u>				
Government and state enterprise securities	51,500,000	51,500,000	-	-
Total investment measured at amortised cost	51,500,000	51,500,000	-	-
<u>Investment designated at fair value through profit or loss</u>				
Equity securities - mutual funds	3,442,175	3,055,896	-	-
Total	3,442,175	3,055,896	-	-
<u>Less</u> Unrealised losses	(386,279)	-	-	-
Total investment designated at fair value through profit or loss	3,055,896	3,055,896	-	-

12. Investment in securities (Cont'd)

The details of investment in securities are as follows: (Cont'd)

	2020		2019	
	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht	Cost/ Amortised cost Thousand Baht	Fair value Thousand Baht
<u>Trading securities</u>				
Private enterprise debt securities	-	-	464	457
Total	-	-	464	457
<u>Less</u> Unrealised losses	-	-	(7)	-
Total trading securities	-	-	457	457
<u>Available-for-sale securities</u>				
Government and state enterprise securities	-	-	407,064,573	520,386,359
Private enterprise debt securities	-	-	67,147,872	71,950,035
Foreign debt securities	-	-	97,150,718	107,887,384
Equity securities	-	-	96,497,453	127,533,769
Total	-	-	667,860,616	827,757,547
<u>Add</u> Unrealised gains	-	-	160,502,283	-
<u>Less</u> Provision for impairment	-	-	(605,352)	-
Total available-for-sale	-	-	827,757,547	827,757,547
<u>Held-to-maturity securities</u>				
Promissory notes	-	-	51,500,000	51,500,000
Total held-to-maturity securities	-	-	51,500,000	51,500,000
<u>General investments</u>				
Equity securities	-	-	934,353	1,700,558
Total general investment	-	-	934,353	1,700,558
Total investment in securities	859,605,478	859,605,478	880,192,357	880,958,562

12. Investments in securities (Cont'd)

The Branch had revenue recognised relating to investment during the year as follows:

	2020 Thousand Baht	2019 Thousand Baht
Interest income and dividend income from investments	28,676,030	32,312,244
Consideration received from selling investments	157,915,118	103,019,888
Gains (losses) from selling investments	(435,487)	11,764,348

As at 31 December 2020, the Branch had government bonds and promissory notes deposited with the OIC in order to comply with the Life Insurance Act with a fair value amounting to Baht 199,672 million (As at 31 December 2019: Baht 205,970 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 2020, the unrealised gain arising from the difference between the fair value and amortised cost of the debt securities was included in gain/loss on remeasuring investments measured at fair value through other comprehensive income within Head Office's equity of Baht 7,749 million and Baht 6,199 million, net of tax. (As at 31 December 2019: Baht 12,346 million and Baht 9,877 million, net of tax) and the amortised cost of the transferred debt securities equaled to Baht 49,659 million (As at 31 December 2019: Baht 83,032 million). For the year ended 31 December 2020, the realised gain from partial sale of reclassified debt securities is Baht 1,353 million (31 December 2019: Baht 5,043 million).

On 1 March 2020, the Branch revised the classification of investments in mutual funds from investments measured at fair value through other comprehensive income to investments designated at fair value through profit or loss to align with the Branch's investment policy. As at the reclassification date, the Branch recognised unrealised gain/loss amounting to Baht 581 million in profit or loss.

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12. Investments in securities (Cont'd)

12.1 Debt securities

12.1.1 The maturity of debt securities

The details of debt securities measured at fair value through other comprehensive income, debt securities measured at amortised cost, debt securities classified as available-for-sale and debt securities classified as held-to-maturity are aged as follows:

	2020				2019			
	Maturing within		Total		Maturing within		Total	
	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Thousand Baht	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Thousand Baht
Debt securities measured at fair value through other comprehensive income								
<u>Government and state enterprise securities</u>								
Government bonds	32,623,350	28,785,256	339,454,836	400,863,442	-	-	-	-
State enterprise bonds	3,761,063	4,605,022	23,401,480	31,767,565	-	-	-	-
Total	36,384,413	33,390,278	362,856,316	432,631,007	-	-	-	-
Add(less) Unrealised gains (losses)	(783,490)	2,626,724	102,443,622	104,286,856	-	-	-	-
Total government and state enterprise securities	35,600,923	36,017,002	465,299,938	536,917,863	-	-	-	-
<u>Private enterprise securities</u>								
Bill of exchanges	520,101	22,501,038	53,136,352	76,157,491	-	-	-	-
Debentures								
Total	520,101	22,501,038	53,136,352	76,157,491	-	-	-	-
Add Unrealised gains	10,417	1,169,591	4,652,499	5,832,507	-	-	-	-
Less Allowance for impairment	(100,000)	-	-	(100,000)	-	-	-	-
Total private enterprise securities	430,518	23,670,629	57,788,851	81,889,998	-	-	-	-
<u>Foreign securities</u>								
Bonds	59,876	694,638	17,018,088	17,772,602	-	-	-	-
State enterprise bonds	749,142	5,077,023	17,871,096	23,697,261	-	-	-	-
Debentures	1,055,000	10,960,605	31,626,682	43,642,287	-	-	-	-
Total	1,864,018	16,732,266	66,515,866	85,112,150	-	-	-	-
Add(less) Unrealised gains (losses)	(31,996)	954,784	11,901,844	12,824,632	-	-	-	-
Total foreign securities	1,832,022	17,687,050	78,417,710	97,936,782	-	-	-	-
Total debt securities measured at fair value through other comprehensive income	37,863,463	77,374,681	601,506,499	716,744,643	-	-	-	-

12. Investments in securities (Cont'd)

12.1 Debt securities (Cont'd)

12.1.1 The maturity of debt securities (Cont'd)

The details of debt securities measured at fair value through other comprehensive income, debt securities measured at amortised cost, debt securities classified as available-for-sale and debt securities classified as held-to-maturity are aged as follows: (Cont'd)

	2020					2019				
	Maturing within					Maturing within				
	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht	Total Thousand Baht	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht	Total Thousand Baht
Debt securities measured at amortised cost										
Government and state enterprise securities	-	-	51,500,000	-	51,500,000	-	-	-	-	-
Promissory notes	-	-	-	-	-	-	-	-	-	-
Total government and state enterprise securities	-	-	51,500,000	-	51,500,000	-	-	-	-	-
Total debt securities measured at amortised cost	-	-	51,500,000	-	51,500,000	-	-	-	-	-
Available-for-sale securities										
Government and state enterprise securities										
Government bonds	-	-	-	-	-	3,305,215	69,098,801	311,865,570	384,269,586	384,269,586
State enterprise bonds	-	-	-	-	-	1,056,382	8,385,174	13,353,431	22,794,987	22,794,987
Total	-	-	-	-	-	4,361,597	77,483,975	325,219,001	407,064,573	407,064,573
Add(less) Unrealised gains (losses)	-	-	-	-	-	(227,882)	750,477	112,799,191	113,321,786	113,321,786
Total government and state enterprise securities	-	-	-	-	-	4,133,715	78,234,452	438,018,192	520,386,359	520,386,359
Private enterprise securities										
Bill of exchanges	-	-	-	-	-	296,336	-	-	296,336	296,336
Debentures	-	-	-	-	-	1,559,114	13,268,227	52,024,195	66,851,536	66,851,536
Total	-	-	-	-	-	1,855,450	13,268,227	52,024,195	67,147,872	67,147,872
Add(less) Unrealised gains (losses)	-	-	-	-	-	(792)	872,591	4,030,364	4,902,163	4,902,163
Less Allowance for impairment	-	-	-	-	-	(100,000)	-	-	(100,000)	(100,000)
Total private enterprise securities	-	-	-	-	-	1,754,658	14,140,818	56,054,559	71,950,035	71,950,035

12. Investments in securities (Cont'd)

12.1 Debt securities (Cont'd)

12.1.1 The maturity of debt securities (Cont'd)

The details of debt securities measured at fair value through other comprehensive income, debt securities measured at amortised cost, debt securities classified as available-for-sale and debt securities classified as held-to-maturity are aged as follows: (Cont'd)

	2020						2019					
	Maturing within			Maturing within			Maturing within			Maturing within		
	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht	1 year Thousand Baht	1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
Available-for-sale securities (Cont'd)												
Foreign securities												
Bonds	-	-	-	-	-	-	53,831	17,698,822	-	-	17,698,822	17,752,653
State enterprise bonds	-	-	-	-	790,000	5,418,363	30,349,302	36,557,665	790,000	5,418,363	30,349,302	36,557,665
Debentures	-	-	-	-	29,967	6,466,165	36,344,268	42,840,400	29,967	6,466,165	36,344,268	42,840,400
Total	-	-	-	-	819,967	11,938,359	84,392,392	97,150,718	819,967	11,938,359	84,392,392	97,150,718
Add Unrealised gains	-	-	-	-	8,658	239,241	10,488,767	10,736,666	8,658	239,241	10,488,767	10,736,666
Total foreign securities	-	-	-	-	828,625	12,177,600	94,881,159	107,887,384	828,625	12,177,600	94,881,159	107,887,384
Total available-for-sale securities	-	-	-	-	6,716,998	104,552,870	588,953,910	700,223,778	6,716,998	104,552,870	588,953,910	700,223,778
Held-to-maturity securities												
Government and state enterprise securities	-	-	-	-	-	-	51,500,000	51,500,000	-	-	51,500,000	51,500,000
Promissory notes	-	-	-	-	-	-	51,500,000	51,500,000	-	-	51,500,000	51,500,000
Total government and state enterprise securities	-	-	-	-	-	-	51,500,000	51,500,000	-	-	51,500,000	51,500,000
Total held-to-maturity securities	-	-	-	-	-	-	51,500,000	51,500,000	-	-	51,500,000	51,500,000
Total investment in debt securities	37,863,463	77,374,681	653,006,499	768,244,643	6,716,998	104,552,870	640,453,910	751,723,778	6,716,998	104,552,870	640,453,910	751,723,778

12. Investments in securities (Cont'd)

12.1 Debt securities (Cont'd)

12.1.2 Debt securities that are measured at fair value through other comprehensive income

	2020	
	Fair value Thousand Baht	Expected credit loss recognised in other comprehensive income Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	716,177,784	367,410
Investment in debt securities which credit risk has significantly increased (Stage 2)	566,859	37,448
Credit-impaired investments in debt securities (Stage 3)	-	100,000
Total	716,744,643	504,858

Expected credit loss

The reconciliations of expected credit loss for debt securities that are measured at fair value through other comprehensive income for the year ended 31 December 2020 are as follows:

	Expected credit loss measured at amount equal to			Total Thousand Baht
	12 months expected credit losses Thousand Baht	Lifetime Expected credit losses Thousand Baht	Lifetime expected credit losses (credit- impaired investments) Thousand Baht	
As of 31 December 2019 - calculated under TAS 101	-	-	-	-
Amounts restated through opening retained earnings	301,987	269,373	100,000	671,360
Opening loss allowance as at 1 January 2020 – calculated under the Accounting Guidance	301,987	269,373	100,000	671,360
Movement from stage change	(169)	23,377	-	23,208
Increase in loss allowance recognised in profit or loss during the year	119,587	-	-	119,587
Disposed and matured during the year	(53,995)	(255,302)	-	(309,297)
As of 31 December 2020 - calculated under the Accounting Guidance	367,410	37,448	100,000	504,858

12. Investments in securities (Cont'd)

12.1 Debt securities (Cont'd)

12.1.3 Debt securities that are measured at amortised cost

	2020	
	Gross carrying value Thousand Baht	Expected credit loss Thousand Baht
		Carrying value Thousand Baht
Investments in debt securities which credit risk has not significantly increased (Stage 1)	51,500,000	-
Total	51,500,000	-

Expected credit loss

All of the Branch's investments measured at amortised cost are considered to have low credit risk. The loss allowance recognised during the period was therefore limited to 12 months expected losses.

12.2 Recognition of transaction in profit or loss and other comprehensive income

Investments measured at FVOCI

Recognition of transaction in profit or loss and other comprehensive income for investments measured at FVOCI during the year are as follows:

	2020 Thousand Baht
Losses recognised in other comprehensive income	(26,922,097)
Losses reclassified from other comprehensive income to profit or loss on the sale of investments measured at FVOCI	(544,549)
Interests from debt securities measured at FVOCI recognised in profit or loss	23,320,503
Dividends from equity securities measured at FVOCI recognised in profit or loss	
- Related to investments derecognised during the period	74,565
- Related to investments held at the end of the reporting period	2,611,891
Expected credit losses for debt securities measured at fair value through other comprehensive income recognised in profit or loss	(166,502)
Total	(1,626,189)

13. Investment in associates

The Branch has interests in an immaterial associate.

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

Associates	Type of business	Ownership interest		Cost method	
		2020 %	2019 %	2020 Thousand Baht	2019 Thousand Baht
AIA Wellness 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 2019) "Investment in Associates and Joint Ventures".

14. Loans and accrued interest receivables

The details of loans and accrued interest receivables are as follows:

	2020		2019	
	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht
<u>Policy loans</u>				
Outstanding period				
Current	30,750,345	912,349	30,777,946	890,675
Overdue				
Less than 3 months	-	-	-	-
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
More than 12 months	-	-	-	-
Policy loans, net	30,750,345	912,349	30,777,946	890,675
<u>Mortgage loans</u>				
Loans which credit risk has not significantly increased (Stage 1)	1,422,622	503	-	-
Loans which credit risk has significantly increased (Stage 2)	897	11	-	-
Credit-impaired loans (Stage 3)	32,242	-	-	-
Total	1,455,761	514	-	-
<u>Less</u> Expected credit loss	(14,839)	-	-	-
Mortgage loans, net	1,440,922	514	-	-
<u>Mortgage loans</u>				
Outstanding period				
Current	-	-	1,437,613	606
Overdue				
Less than 3 months	-	-	227	1
3 - 6 months	-	-	3,056	-
6 - 12 months	-	-	-	-
More than 12 months	-	-	30,160	-
Total	-	-	1,471,056	607
<u>Less</u> Allowance for doubtful accounts	-	-	(8,647)	-
Mortgage loans, net	-	-	1,462,409	607

14. Loans and accrued interest receivables (Cont'd)

The details of loans and accrued interest receivables are as follows: (Cont'd)

	2020		2019	
	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht
<u>Loans to employees</u>				
Loans which credit risk has not significantly increased (Stage 1)	165	-	-	-
Total	165	-	-	-
<u>Less</u> Expected credit loss	-	-	-	-
Loans to employees, net	165	-	-	-
Loans and accrued interest receivable	32,191,432	912,863	32,240,355	891,282

Expected credit loss

Loans to related parties measured at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Lifetime expected credit losses is recognised for the loans that the credit risk is significant increased.

The reconciliations of loss allowances for loans measured at amortised cost for the year ended 31 December 2020 are as follows:

	Thousand Baht
As at 31 December 2019 - calculated under TAS 101	8,647
Amount restated through opening retained earnings	6,397
Opening loss allowance as at 1 January 2020	
- calculated under the Accounting Guidance	15,044
Increase in loss allowance recognised in profit or loss during the year	(126)
Unused amount reversed	(79)
As at 31 December 2020 – calculated under the Accounting Guidance	14,839

15. Investment property

	2020					
	Cost/Fair value					
	For the year					
	Beginning balance 1 January 2020 Thousand Baht	Additions from acquisition and capitalised subsequent expenditures Thousand Baht	Disposal Thousand Baht	Reclassification Thousand Baht	Fair value losses Thousand Baht	Ending balance 31 December 2020 Thousand Baht
Land	9,540,000	-	-	-	(34,680)	9,505,320
Buildings and improvements	7,309,643	755,900	-	-	(165,463)	7,900,080
Total	16,849,643	755,900	-	-	(200,143)	17,405,400

	2019					
	Cost/Fair value					
	For the year					
	Beginning balance 1 January 2019 Thousand Baht	Additions from acquisition and capitalised subsequent expenditures Thousand Baht	Disposal Thousand Baht	Reclassification Thousand Baht	Fair value losses Thousand Baht	Ending balance 31 December 2019 Thousand Baht
Land	8,790,000	-	-	-	750,000	9,540,000
Buildings and improvements	7,620,000	72,429	(31)	(263)	(382,492)	7,309,643
Total	16,410,000	72,429	(31)	(263)	367,508	16,849,643

In 2020, 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 4.4.

For the year ended 31 December 2020, the investment property generated rental income amounting to Baht 1,113 million (31 December 2019: Baht 1,016 million) and its direct operating expenses (including repair and maintenance) arise from investment property that generated rental income amounting to Baht 158 million (31 December 2019: Baht 290 million).

16. Assets held to cover linked liabilities

	2020 Thousand Baht	2019 Thousand Baht
Investment in mutual funds that are measured at fair value through profit or loss	35,766,024	27,720,158
Total	35,766,024	27,720,158

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17. Property, plant and equipment

	2020												
	Cost/Revaluation						Accumulated depreciation						
	Beginning balance 1 January 2020 Thousand Baht	For the year				Ending balance 31 December 2020 Thousand Baht	Beginning balance 1 January 2020 Thousand Baht	For the year			Ending balance 31 December 2020 Thousand Baht	Property, plant and Equipment Thousand Baht	
		Addition Thousand Baht	Write-off Thousand Baht	Disposal Thousand Baht	Transfer Thousand Baht			Reclassification Thousand Baht	Gain on revaluation Thousand Baht	Depreciation charge Thousand Baht			Write-off Thousand Baht
Land	463,000	-	-	-	-	(1,000)	462,000	-	-	-	-	-	462,000
Buildings and improvements	738,000	-	-	-	-	(4,000)	734,000	-	48,555	-	(48,555)	-	734,000
Furniture, fixtures and equipment	2,424,622	20,567	(10,641)	(13,556)	8,910	-	2,429,902	1,590,562	164,500	(10,641)	(12,576)	1,731,845	698,057
Computer hardware	996,294	36,816	(114)	(1,073)	-	-	1,031,923	842,537	78,872	(114)	(947)	920,348	111,575
Motor vehicles	33,018	1,899	-	-	-	-	34,917	15,896	6,432	-	-	22,328	12,589
Construction in progress	-	8,910	-	-	(8,910)	-	-	-	-	-	-	-	-
Total	4,654,934	68,192	(10,755)	(14,629)	-	(5,000)	4,692,742	2,448,995	298,359	(10,755)	(13,523)	2,674,521	2,018,221

In 2020, the Branch engaged an external independent and qualified appraiser to determine the fair value of the land and buildings. The valuation techniques and valuation process of land and buildings are disclosed in Note 4.4.

If the land and buildings are stated on the cost model, as at 31 December 2020, the carrying value would be Baht 53 million and Baht 66 million, respectively (31 December 2019: Baht 50 million and Baht 73 million, respectively).

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

	2019														Property, plant and equipment Thousand Baht
	Cost/Revaluation						Accumulated depreciation								
	Beginning balance 1 January 2019 Thousand Baht	For the year					Ending balance 31 December 2019 Thousand Baht	Beginning balance 1 January 2019 Thousand Baht	For the year				Revaluation adjustment Thousand Baht	Ending balance 31 December 2019 Thousand Baht	
		Addition Thousand Baht	Write-off Thousand Baht	Disposal Thousand Baht	Transfer Thousand Baht	Reclassification Thousand Baht			Gain on revaluation Thousand Baht	Depreciation charge Thousand Baht	Write-off Thousand Baht	Disposal Thousand Baht			
Land	460,000	-	-	-	-	-	3,000	463,000	-	-	-	-	-	-	463,000
Buildings and improvements	697,000	-	-	-	-	-	41,000	738,000	-	41,379	-	-	(41,379)	-	738,000
Furniture, fixtures and equipment	2,033,261	21,121	(171,490)	(38,077)	579,544	263	-	2,424,622	1,647,013	151,335	(171,475)	(36,311)	-	1,590,562	834,060
Computer hardware	956,852	77,293	(1,921)	(35,930)	-	-	-	996,294	803,475	76,910	(1,921)	(35,927)	-	842,537	153,757
Motor vehicles	51,809	4,249	-	(23,040)	-	-	-	33,018	33,218	5,717	-	(23,039)	-	15,896	17,122
Construction in progress	356,476	223,068	-	-	(579,544)	-	-	-	-	-	-	-	-	-	-
Total	4,555,398	325,731	(173,411)	(97,047)	-	263	44,000	4,654,934	2,483,706	275,341	(173,396)	(95,277)	(41,379)	2,448,995	2,205,939

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18. Intangible assets

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

	2020									
	Cost					Accumulated amortisation				
	For the year					For the year				
	Beginning balance 1 January 2020 Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Transfer Thousand Baht	Ending balance 31 December 2020 Thousand Baht	Beginning balance 1 January 2020 Thousand Baht	Amortisation charge Thousand Baht	Write-off Thousand Baht	Ending balance 31 December 2020 Thousand Baht	Intangible assets Thousand Baht
Computer software	1,560,860	48,358	(397)	205,156	1,813,977	1,089,404	139,405	(397)	1,228,412	585,565
Other	122,671	-	(67,000)	-	55,671	82,671	10,000	(67,000)	25,671	30,000
Work in progress	530,389	730,923	-	(205,156)	1,056,156	-	-	-	-	1,056,156
Total	2,213,920	779,281	(67,397)	-	2,925,804	1,172,075	149,405	(67,397)	1,254,083	1,671,721
	2019									
	Cost					Accumulated amortisation				
	For the year					For the year				
	Beginning balance 1 January 2019 Thousand Baht	Addition Thousand Baht	Write-off Thousand Baht	Transfer Thousand Baht	Ending balance 31 December 2019 Thousand Baht	Beginning balance 1 January 2019 Thousand Baht	Amortisation charge Thousand Baht	Write-off Thousand Baht	Ending balance 31 December 2019 Thousand Baht	Intangible assets Thousand Baht
Computer software	1,460,521	6,521	(3,575)	97,393	1,560,860	950,083	140,512	(1,191)	1,089,404	471,456
Other	72,671	50,000	-	-	122,671	72,671	10,000	-	82,671	40,000
Work in progress	187,838	439,944	-	(97,393)	530,389	-	-	-	-	530,389
Total	1,721,030	496,465	(3,575)	-	2,213,920	1,022,754	150,512	(1,191)	1,172,075	1,041,845

19. Other assets

	2020	2019
	Thousand	Thousand
	Baht	Baht
Prepaid leasehold (Note 33 (b))	-	321,501
Deposits (Note 33 (b))	162,583	152,473
Amounts due from a related party (Note 33 (b))	25,566	29,518
Receivables from sale of investments	1,035,607	1,201,309
Cash collateral from derivative contract	2,010,301	-
Right-of-use assets (Note 33 (b))	2,163,605	-
Others	226,782	202,803
Total	<u>5,624,444</u>	<u>1,907,604</u>

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

AIA Company Limited
Notes to the Financial Statements

19. Other assets (Cont'd)

19.1 Right-of-use assets

	2020											
	Cost				Accumulated amortisation							
	For the period				For the period							
	Beginning balance 1 January Thousand Baht	Addition Thousand Baht	Change in contract Thousand Baht	Gain on 31 December revaluation Thousand Baht	Ending balance December 2020 Thousand Baht	Beginning balance 1 January 2020 Thousand Baht	Amortisation charge Thousand Baht	Change in contract Thousand Baht	Revaluation adjustment Thousand Baht	Temporary measures to relieve the impact from COVID - 19 Thousand Baht	Ending balance 31 December 2020 Thousand Baht	Right-of-use assets Thousand Baht
Land	255,380	-	(4,359)	488,979	740,000	-	9,073	-	(9,073)	-	-	740,000
Buildings and improvements	1,485,290	308,731	(31,359)	-	1,762,662	-	339,915	(4,618)	-	5,669	340,966	1,421,696
Others	-	2,803	-	-	2,803	-	894	-	-	-	894	1,909
Total	1,740,670	311,534	(35,718)	488,979	2,505,465	-	349,882	(4,618)	(9,073)	5,669	341,860	2,163,605

The related lease liabilities are disclosed in Note 25.

For the year ended 31 December 2020, the lease payments resulting from lease and service contracts which are not capitalised comprised of short-term leases and low-value leases. These lease payments are not material.

During the reporting period, the Branch received discounts in the lease payments from lessors due to the COVID-19 outbreak. The Branch has chosen to apply the temporary measures to relieve the impact from COVID-19 announced by TFAC for the reporting periods ending between 1 January 2020 and 31 December 2020 by reducing lease liabilities in the proportion of the reduction to the lease payments due from 1 June 2020 to 30 June 2021 throughout the period that the Branch has received the reduction and reversing depreciation charges on the right-of-use assets and interest expenses on the lease liabilities recognised in the same proportion of Baht 5.7 million and Baht 0.5 million, respectively. The differences between the reduction of the lease liabilities and the reversal of the expenses of Baht 0.2 million are recognised in profit or loss.

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For the year ended 31 December 2020

20. Insurance liabilities

	2020			2019		
	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht	Insurance contract liabilities Thousand Baht	Liabilities recovered from reinsurance Thousand Baht	Net Thousand Baht
Long-term technical reserves						
Claim liability	574,291,648	-	574,291,648	575,116,690	-	575,116,690
- Reported claim	975,956	(4,205)	971,751	1,330,646	(4,723)	1,325,923
- Claim incurred but not reported	778,238	(183,299)	594,939	707,662	(141,030)	566,632
Premium liability						
- Unearned premium reserve	17,786,901	(84,173)	17,702,728	16,726,248	(85,780)	16,640,468
Unpaid policy benefits	452,290	-	452,290	389,802	-	389,802
Due to insured	121,261,554	-	121,261,554	102,733,744	-	102,733,744
Total	715,546,587	(271,677)	715,274,910	697,004,792	(231,533)	696,773,259

20. Insurance liabilities (Cont'd)

20.1 Long-term technical reserves

The movement details are below:

	2020 Thousand Baht	2019 Thousand Baht
Beginning balance for the year	575,116,690	572,249,868
Policy reserve movement for new policies and inforce policies during the year	71,428,248	69,619,956
Net movement in benefits payable to life policyholders for death, maturity, surrenders, other policyholders benefits and claims	(69,173,192)	(67,036,685)
Others	(3,080,098)	283,551
Closing balance at the end of year	<u>574,291,648</u>	<u>575,116,690</u>

Long-term technical reserves are calculated using Net Premium Valuation method for traditional life products. The mortality table used are industry mortality tables prescribed by OIC, i.e. Thai Mortality Table for Ordinary Life. The interest rate assumptions used vary by products and range from 2.0% to 6.0%. These assumptions are locked-in at policy issue date throughout the policy life. 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:

	2020 Thousand Baht	2019 Thousand Baht
Repayment within 1 year	88,535,000	84,245,578
Repayment between 1-5 years	238,054,226	289,828,767
Repayment over 5 years	<u>1,375,745,230</u>	<u>1,478,931,620</u>
Total	<u>1,702,334,456</u>	<u>1,853,005,965</u>

20. Insurance liabilities (Cont'd)

20.2 Short-term technical reserves

20.2.1 Claim liability

The movement details are below:

	2020 Thousand Baht	2019 Thousand Baht
Beginning balance for the year	2,038,308	2,582,221
Insurance claims and loss adjustment expenses incurred during the year	18,743,671	21,411,110
Changes in claim reserve from change in assumption during the year	70,577	(460,230)
Insurance claims and loss adjustment expenses paid during the year	(19,098,362)	(21,494,793)
Closing balance at the end of year	<u>1,754,194</u>	<u>2,038,308</u>

20.2.2 Unearned premium reserve

	2020 Thousand Baht	2019 Thousand Baht
Beginning balance for the year	16,726,248	15,316,716
Premium written for the year	39,949,210	38,669,607
Premium earned in the year	(38,888,557)	(37,260,075)
Closing balance at the end of year	<u>17,786,901</u>	<u>16,726,248</u>

20. Insurance liabilities (Cont'd)

20.3 Claim Development Table

20.3.1 Claim development table before reinsurance

	2020						Total Thousand Baht
	Incident Year						
	2016 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2019 Thousand Baht	2020 Thousand Baht		
Reported Year							
Estimated claim:							
- At the end of the year	16,110,243	15,830,184	17,631,438	19,304,534	17,758,336		86,634,735
- After 1 year	16,804,074	16,439,359	18,091,611	19,829,797	-		71,164,841
- After 2 year	16,812,409	16,448,579	18,115,454	-	-		51,376,442
- After 3 year	16,814,528	16,465,113	-	-	-		33,279,641
- After 4 year	16,819,223	-	-	-	-		16,819,223
Absolute estimated claim	16,819,223	16,465,113	18,115,454	19,843,956	18,452,718		89,696,464
Cumulative claim paid	16,819,223	16,465,113	18,115,454	19,829,797	16,782,381		88,011,968
Total claim reserve	-	-	-	14,159	1,670,337		1,684,496
Claim liability under other IBNR methodology	-	-	-	-	69,698		69,698
Total claim liability	-	-	-	14,159	1,740,035		1,754,194

20. Insurance liabilities (Cont'd)

20.3 Claim Development Table (Cont'd)

20.3.2 Claim development table after reinsurance

	2020					
	Incident Year					Total Thousand Baht
	2016 Thousand Baht	2017 Thousand Baht	2018 Thousand Baht	2019 Thousand Baht	2020 Thousand Baht	
Reported Year						
Estimated claim:						
- At the end of the year	15,352,264	15,014,686	16,721,739	18,293,160	16,745,464	82,127,313
- After 1 year	15,962,476	15,539,080	17,120,949	18,715,717	-	67,338,222
- After 2 year	15,967,880	15,546,801	17,138,331	-	-	48,653,012
- After 3 year	15,970,009	15,556,255	-	-	-	31,526,264
- After 4 year	15,972,693	-	-	-	-	15,972,693
Absolute estimated claim	15,972,693	15,556,255	17,138,331	18,723,821	17,266,016	84,657,116
Cumulative claim paid	15,972,693	15,556,255	17,138,331	18,715,717	15,773,713	83,156,709
Total claim reserve	-	-	-	8,104	1,492,303	1,500,407
Claim liability under other IBNR methodology	-	-	-	-	66,283	66,283
Total claim liability	-	-	-	8,104	1,558,586	1,566,690

20. Insurance liabilities (Cont'd)

20.4 Unpaid policy benefits

The details are as below:

	2020 Thousand Baht	2019 Thousand Baht
Death benefits	452,290	389,802
Total	452,290	389,802

20.5 Due to insured

The details of due to insured are presented below:

	2020 Thousand Baht	2019 Thousand Baht
Deposits from insurance contracts	75,236,468	64,435,076
Account value of universal life insurance contracts	10,259,061	10,578,510
Account value of unit linked insurance contracts	35,766,025	27,720,158
Total	121,261,554	102,733,744

21. Investment liabilities

	2020 Thousand Baht	2019 Thousand Baht
Beginning balance for the year	716,019	1,619,936
Investment contract benefits	(725,534)	(944,625)
Change in investment contract liabilities	9,515	40,708
Closing balance at the end of year	-	716,019

22. Amount due to reinsurance

	2020 Thousand Baht	2019 Thousand Baht
Fund reserve	11,298	11,251
Outward premium payables (Note 33 (b))	571,392	581,644
Total amount due to reinsurance	582,690	592,895

23. Employee benefit liabilities

	2020 Thousand Baht	2019 Thousand Baht
Short-term employee benefits	458,215	426,944
Long-term employee benefits	3,598,057	3,458,608
	<u>4,056,272</u>	<u>3,885,552</u>

23.1 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:

	2020 Thousand Baht	2019 Thousand Baht
Present value of employee benefits obligations	3,598,057	3,458,608
	<u>3,598,057</u>	<u>3,458,608</u>

The amounts recognised in profit or loss are as follows:

	2020 Thousand Baht	2019 Thousand Baht
Current service cost	121,248	107,627
Past service cost	-	269,426
Interest cost	60,501	81,074
Others	(44,370)	568
	<u>137,379</u>	<u>458,695</u>

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

	2020 Thousand Baht	2019 Thousand Baht
Beginning of the year	3,458,608	2,637,205
Current service cost	121,248	107,627
Past service cost	-	269,426
Interest cost	60,501	81,074
Remeasurements of long-term employee benefits	96,167	429,398
Others	(44,370)	568
Less Benefits paid	<u>(94,097)</u>	<u>(66,690)</u>
Ending of the year	<u>3,598,057</u>	<u>3,458,608</u>

23. Employee benefit liabilities (Cont'd)

23.1 Long-term employee benefits (Cont'd)

Principal actuarial assumptions at 31 December are shown as follows:

	2020	2019
Discount rate	1.00% - 2.25%	1.50% - 2.00%
Future salary increases	5.00% - 6.00%	5.00% - 6.00%
Mortality assumption	80% Mortality 2017	80% Mortality 2017

Impact on defined benefit obligation			
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 4 %	Increase by 4 %
Future salary	0.25 %	Increase by 2 %	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 16 years.

Expected maturity analysis of undiscounted long-term employee benefits:

	Less than a year Thousand Baht	Between 1 - 5 years Thousand Baht	Over 5 years Thousand Baht	Total Thousand Baht
At 31 December 2020				
Long-term employee benefits	108,014	536,403	4,529,034	5,173,451
Total	108,014	536,403	4,529,034	5,173,451
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

23.2 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 2020, Baht 209 million (2019: Baht 196 million) has been contributed to the fund by the Branch which was presented in Statement of Comprehensive Income.

24. Deferred tax liabilities

	Net deferred tax assets/ (liabilities) at 1 January 2020 Restated Thousand Baht	Credited/ (charged) to profit or loss Thousand Baht	Credited/ (charged) to Other comprehensive income (loss) Thousand Baht	Net deferred tax assets/ (liabilities) at 31 December 2020 Thousand Baht
For the year ended				
Revaluation of investment	(34,896,343)	118,774	6,495,367	(28,282,202)
Deferred acquisition costs	(13,819,575)	2,615,071	-	(11,204,504)
Insurance and investment liabilities	2,154,908	(3,292,920)	-	(1,138,012)
Provision of expenses	844,935	18,124	19,233	882,292
Other	(2,880,062)	(557,855)	(108,321)	(3,546,238)
Total	(48,596,137)	(1,098,806)	6,406,279	(43,288,664)

	(Restated)			
	Net deferred tax assets/ (liabilities) 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 assets/ (liabilities) at 31 December 2019 Thousand Baht
For the year ended				
Revaluation of investment	(12,528,011)	5,305	(21,292,286)	(33,814,992)
Deferred acquisition costs	(13,142,215)	(677,360)	-	(13,819,575)
Insurance and investment liabilities	4,899,736	(2,744,828)	-	2,154,908
Provision of expenses	667,871	91,184	85,880	844,935
Other	(2,663,196)	(203,096)	(17,076)	(2,883,368)
Total	(22,765,815)	(3,528,795)	(21,223,482)	(47,518,092)

25. Other liabilities

	2020 Thousand Baht	2019 Thousand Baht
Accrued commissions and expenses	7,964,654	7,052,400
Payable for purchase of investments	978,126	460,126
Unpresented cheques payable	2,415,994	2,057,097
Expired cheques payable	2,360,312	2,198,490
Due commissions and expenses	1,161,253	807,352
Payable to related parties (Note 33 (b))	1,041,890	944,150
Agents payable	5,324,707	5,536,839
Cash collateral from derivative contract	2,811,765	10,698,631
Other accounts payable	456,327	817,076
Lease liabilities (Note 33 (b))	1,396,338	-
Others	2,522,226	2,316,966
Total	28,433,592	32,889,127

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

25. Other liabilities (Cont'd)

25.1 Lease liabilities

The maturity analysis of lease liabilities is aged as follows:

	2020 Thousand Baht
Maturing	
Within 1 year	311,356
Between 1 to 5 years	927,789
Later than 5 years	157,193
Total	1,396,338
Including: - Principal	1,561,871
- Interest	(165,533)

For the period ended 31 December 2020, interest expense on lease liabilities amounted to Baht 33.6 million, is recorded as "Finance cost" in the statement of comprehensive income.

26. Gross benefits and claim paid

	2020 Thousand Baht	2019 Thousand Baht
Insurance contract benefits	103,733,030	103,649,652
Change in investment contract liabilities	9,515	40,708
Total	103,742,545	103,690,360

27. Share-based compensation

As at 31 December 2020, 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 2020, 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.

	2020 Number of shares	2019 Number of shares
As at 1 January	2,431,181	3,147,883
Granted	810,836	718,712
Vested	(884,137)	(1,102,883)
Transferred out	(263,740)	(181,516)
Forfeited	(136,957)	(151,015)
As at 31 December	1,957,183	2,431,181

27. 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.

	2020		2019	
	Number of options	Weighted - average exercise price per share (HK\$)	Number of options	Weighted - average exercise price per share (HK\$)
As at 1 January	49,455	52.04	889,227	39.79
Granted	33,020	68.10	61,446	76.73
Exercised	(40,090)	45.81	(106,820)	27.35
Transferred out	-	-	(794,398)	-
Forfeited	-	-	-	-
As at 31 December	42,385	70.44	49,455	52.04

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 2020, the eligible employees paid Baht 90 million to purchase 279,227 ordinary shares of the AIA Group (2019: paid Baht 80 million to purchase 253,112 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 2020, the eligible agents paid Baht 220 million to purchase 704,125 ordinary shares of the AIA Group (2019: paid Baht 214 million to purchase 689,711 ordinary shares of the AIA Group).

27. 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 2020 amount of Baht 250 million (2019: Baht 245 million) and the other reserve in Head Office's equity as at 31 December 2020 amount of Baht 136 million (2019: Baht 110 million).

2020

Assumptions	Share option scheme	Restricted share unit scheme	Employee share purchase plan	Agent share purchase plan
Risk-free interest rate (%)	0.85	0.78	0.15 - 1.02	0.87
Volatility (%)	24.00	24.00	-	24.00
Dividend yield (%)	1.60	1.60	1.60	1.60
Weighted average fair value per option/unit at measurement date (HK\$)	15.51	62.78	80.37	59.60

2019

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

28. Operating expenses

	2020 Thousand Baht	2019 Thousand Baht
Employee expenses not relating to underwriting expenses, and loss adjusting expenses	3,544,593	3,831,243
Property and equipment expenses not relating to underwriting expenses, and loss adjusting expenses	2,271,801	2,306,189
Tax expenses	8,545	34,605
Other operating expenses	1,712,033	1,597,973
Total	7,536,972	7,770,010

29. Employee benefit expenses

	2020 Thousand Baht	2019 Thousand Baht
Salary, overtime and bonus	3,283,841	3,176,761
Provident fund	209,471	195,842
Provision for long-term employee benefits	137,379	458,695
Share-based payment	175,127	175,007
Other employee benefit expenses	212,318	297,460
Total employee benefit expenses	<u>4,018,136</u>	<u>4,303,765</u>

30. Expected credit loss

	2020 Thousand Baht
Investment in securities	(166,502)
Loans and accrued interest receivables	(1,491)
Total	<u>(167,993)</u>

31. Income tax expense

	2020 Thousand Baht	(Restated) 2019 Thousand Baht
Current income tax on taxable profits for the year	2,301,963	2,855,966
Deferred income tax on temporary differences (Note 24)	1,098,806	3,528,795
Total income tax expense	<u>3,400,769</u>	<u>6,384,761</u>

Income tax rate used for 2020 is 20% (2019: 20%).

The effective tax rate for 2020 is 20% (2019: 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

	2020			2019		
	Before tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht	Before tax Thousand Baht	Tax benefit (expense) Thousand Baht	Net of tax Thousand Baht
Unrealised gain (loss) from available-for-sale securities	(32,476,835)	6,495,367	(25,981,468)	106,461,428	(21,292,286)	85,169,142
Remeasurements of post-employment benefit obligations	(96,167)	19,233	(76,934)	(429,398)	85,880	(343,518)
Gains on revaluation of land and building	541,607	(108,321)	433,286	85,379	(17,076)	68,303
Total	<u>(32,031,395)</u>	<u>6,406,279</u>	<u>(25,625,116)</u>	<u>106,117,409</u>	<u>(21,223,482)</u>	<u>84,893,927</u>

33. Related party transactions

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

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

(a) Statements of comprehensive income

	2020 Thousand Baht	2019 Thousand Baht
Head office		
Operating expenses	932,497	1,358,737
Affiliated companies		
Premiums ceded to reinsurers	5,322,678	3,497,911
Fee and commission income	84,408	84,987
Net investment income (expenses)	(821,848)	(188,502)
Other income	8,707	317
Benefit and claim paid recovered from reinsurers	3,269,010	2,427,463
Other underwriting expenses	15,714	27,589
Operating expenses	1,069,229	674,203
Capitalised expenses	86,620	289,483
Finance cost	10,590	-

(b) Statement of financial positions

	2020 Thousand Baht	2019 Thousand Baht
Head office		
Other assets	299	-
Profit remittances to Head Office	10,000,000	31,727,000
Other liabilities	654,892	661,995
Affiliated companies		
Reinsurance assets	2,768	3,138
Amount due from reinsurance	2,148	-
Investment in associates	171,500	171,500
Other assets	1,230,976	422,820
Amount due to reinsurance	183,331	115,128
Other liabilities	732,919	281,829

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:

	2020 Thousand Baht	2019 Thousand Baht
Salary and other short-term employee benefits	164,723	153,393
Severance payment	-	1,650
Post-employment benefits	10,566	24,055
Share-based payment	37,224	28,497
Total	<u>212,513</u>	<u>207,595</u>

34. Contingent liabilities and commitments

As indicated in Note 2, the Branch has adopted TFRS 16 retrospectively from 1 January 2020, but has not restated comparatives for the 2019 reporting period as permitted under the specific transition provisions in the standard. Prior to the adoption of TFRS 16, the Branch had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2019 Thousand Baht
Not later than 1 year	321,769
Later than 1 year but not later than 5 years	113,267
Total	<u>435,036</u>

As at 31 December 2020, the Branch had contractual commitment from contracts for investment property projects with the amount at the maximum of Baht 3,633 million (As at 31 December 2019: at the maximum of Baht 492 million). Commitments arising from short-term leases and low-value leases are not material to the interim financial information.

35. Events occurring after the reporting date

In 2020, the Branch is facing the uncertain impact of the COVID-19 virus and the measures taken to limit its spread. The Branch is closely monitoring the development of situation.