

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.....Wai Cheong Fung.....

Position..... Chief Executive Officer.....

Disclosed on.....29...June..2020.....

Information for the Quarter....1...Year...2020....

CAPITAL ADEQUACY

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

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

The key metric used by the regulator is the Capital Adequacy Ratio (“CAR”), defined as Total Capital Available (“TCA”) divided by Total Capital Required (“TCR”), which needs to remain above the supervisory CAR to maintain financial strength and avoid potential regulatory intervention.

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

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

Unit: Million Baht

Capital Items	Quarter 1		Quarter 2		Quarter 3	
	2020	2019	2020	2019	2020	2019
Capital Adequacy Ratio (%)	270	409	XXX	442	XXX	483
Total Capital Available	111,091	170,839	XXX	182,353	XXX	214,042
Total Capital Required	41,149	41,770	XXX	41,243	XXX	44,317

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

(1) 120% from December 31st, 2019 to December 31st, 2021

(2) 140% from January 1st, 2022 onwards

- Capital refers to RBC capital valued according to the OIC's Notification on the Valuation of Assets and Liabilities of Non-Life Insurance Companies
- Quarter 2 is 6- month accumulated operating results and Quarter 3 is 9- month accumulated operating results.

AIA COMPANY LIMITED

INTERIM FINANCIAL INFORMATION (UNAUDITED)

31 MARCH 2020



AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Executive Committee of AIA Company Limited

I have reviewed the interim financial information of AIA Company Limited which comprises the statement of financial position as at 31 March 2020, and the related statements of comprehensive income, changes in Head Office's equity, and cash flows for the three-month period then ended, and the condensed notes to the interim financial information. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard 34, "Interim Financial Reporting". My responsibility is to express a conclusion on this interim financial information based on my review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers ABAS Ltd.

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

Paiboon Tunkoon
Certified Public Accountant (Thailand) No. 4298
Bangkok
8 June 2020

AIA Company Limited
Statement of Financial Position
As at 31 March 2020

		(Unaudited) 31 March 2020 Baht	(Audited) 31 December 2019 Baht
	Notes		
Assets			
Cash and cash equivalents	7	14,729,463,547	5,553,565,042
Premium receivables	8	7,732,649,967	7,178,537,532
Accrued income on investments		8,025,611,762	5,142,295,470
Reinsurance assets	9, 21, 29	255,696,144	231,533,260
Amount due from reinsurance	10	16,707	628,133
Derivative assets	11	10,150,382,038	7,054,202,416
Invested assets			
Investment in securities	12	800,916,868,869	880,192,356,890
Loans and accrued interest receivables	13	33,476,098,343	32,240,355,289
Investment property	14	16,931,530,131	16,849,643,239
Investment in associates	15, 29	171,500,000	171,500,000
Assets held to cover linked liabilities	16	23,732,151,511	27,720,158,178
Property, plant and equipment	17	2,133,216,155	2,205,939,485
Intangible assets	18	1,037,578,703	1,041,845,240
Other assets	19, 29	10,992,446,881	1,907,604,409
Total assets		930,285,210,758	987,490,164,583

Authorised signature _____

Date _____

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

AIA Company Limited
Statement of Financial Position (Cont'd)
As at 31 March 2020

		(Unaudited) 31 March 2020 Baht	(Audited) 31 December 2019 Baht
	Notes		
Liabilities and Head Office's Equity			
Liabilities			
Borrowing	20	9,400,000,000	-
Insurance liabilities	21	693,378,158,901	697,004,792,055
Investment liabilities	22	312,537,841	716,018,557
Amount due to reinsurance	23, 29	433,453,892	592,894,931
Derivative liabilities	11	17,806,537,685	61,769,363
Income tax payable		1,818,791,319	1,263,575,065
Employee benefit liabilities		3,721,595,525	3,885,552,102
Deferred tax liabilities	24	19,394,610,857	33,698,516,767
Other liabilities	25, 29	21,488,890,359	32,889,126,630
Total liabilities		767,754,576,379	770,112,245,470
Head Office's Equity			
Remeasurements of investments measured at fair value through other comprehensive income, net of tax		87,789,917,237	138,167,982,619
Remeasurements of derivative instruments used in cash flow hedge, net of tax		(8,137,915,918)	-
Remeasurements of deferred cost of hedge, net of tax		12,332,567	-
Remeasurements of post-employment benefit obligations, net of tax		(1,443,934,031)	(1,443,934,031)
Gains on land and building revaluation, net of tax		888,004,205	888,004,205
Other reserve		121,302,682	109,927,753
Branch's retained earnings Unappropriated		83,300,927,637	79,655,938,567
Total Head Office's Equity		162,530,634,379	217,377,919,113
Total liabilities and Head Office's Equity		930,285,210,758	987,490,164,583

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

AIA Company Limited
Statement of Comprehensive Income (Unaudited)
For the three-month period ended 31 March 2020

	Notes	2020 Baht	2019 Baht
Revenues			
Gross written premiums		31,417,762,797	29,460,041,213
<u>Less</u> premiums ceded to reinsurers	29	<u>(1,741,044,244)</u>	<u>(952,065,445)</u>
Net written premiums		29,676,718,553	28,507,975,768
<u>Add(Less)</u> net change in unearned premium reserve		<u>(359,694,557)</u>	<u>4,672,637</u>
Net earned premiums		29,317,023,996	28,512,648,405
Fee and commission income	29	125,023,567	113,769,193
Net investment income	29	8,060,777,678	8,235,545,091
Gains (losses) on investment		(3,670,603,168)	853,291,789
Fair value losses		(479,203,610)	(126,276,914)
Other income	29	<u>68,674,509</u>	<u>23,650,491</u>
Total revenues		<u>33,421,692,972</u>	<u>37,612,628,055</u>
Expenses			
Change in long-term technical reserve		(1,734,265,822)	5,294,481,802
Gross benefits and claim paid	26	26,359,167,793	19,238,372,210
<u>Less</u> benefits and claim paid recovered from reinsurers	29	<u>(1,166,158,719)</u>	<u>(599,208,326)</u>
Net benefits and claim paid		25,193,009,074	18,639,163,884
Commissions and brokerages		3,516,392,981	3,399,735,169
Other underwriting expenses	29	3,968,239,802	3,786,314,055
Operating expenses	27, 29	1,826,143,812	1,474,689,140
Finance cost		10,077,552	7,793,493
Expected credit loss	28	<u>64,562,993</u>	<u>-</u>
Total expenses		<u>32,844,160,392</u>	<u>32,602,177,543</u>
Profit before income tax		577,532,580	5,010,450,512
Income tax expenses		<u>(107,796,265)</u>	<u>(1,000,960,387)</u>
Net profit		<u>469,736,315</u>	<u>4,009,490,125</u>

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

AIA Company Limited
Statement of Comprehensive Income (Unaudited) (Cont'd)
For the three-month period ended 31 March 2020

	Note	2020 Baht	2019 Baht
Other comprehensive income (loss)			
<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		(68,036,725,766)	14,409,540,114
Losses on remeasuring derivative instruments used in cash flow hedge		(10,172,394,898)	-
Gains on remeasuring deferred cost of hedge		15,415,709	-
Items in other comprehensive income transferred to profit or loss		3,737,604,292	(853,193,001)
Income tax relating to items that will be reclassified subsequently to profit or loss	24	<u>14,889,941,598</u>	<u>(2,711,269,423)</u>
Total items that will be reclassified subsequently to profit or loss		<u>(59,566,159,065)</u>	<u>10,845,077,690</u>
Other comprehensive income (loss) for the period, net of tax		<u>(59,566,159,065)</u>	<u>10,845,077,690</u>
Total comprehensive income (loss) for the period		<u><u>(59,096,422,750)</u></u>	<u><u>14,854,567,815</u></u>

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

AIA Company Limited
Statement of Changes in Head Office's Equity (Unaudited)
For the three-month period ended 31 March 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 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	
Funds from Head Office	Baht	Baht	Baht	Baht	Baht	Baht	Baht	Baht	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 4)	-	1,062,510,332	-	-	-	-	-	-	-	3,175,252,755	4,237,763,087					
Beginning balance after adjustment	-	139,230,492,951	-	-	-	-	(1,443,934,031)	888,004,205	109,927,753	82,831,191,322	221,615,682,200					
Employee benefits on share-based payment	-	-	-	-	-	-	-	-	11,374,929	-	11,374,929					
Net profit	-	-	-	-	-	-	-	-	-	469,736,315	469,736,315					
Losses on remeasuring investments measured at fair value through other comprehensive income	-	(54,430,659,148)	-	-	-	-	-	-	-	-	(54,430,659,148)					
Losses on remeasuring derivative instruments used in cash flow hedge	-	-	-	(8,137,915,918)	-	-	-	-	-	-	(8,137,915,918)					
Gains on remeasuring deferred cost of hedge	-	-	-	-	12,332,567	-	-	-	-	-	12,332,567					
Items in other comprehensive income transferred to profit or loss	-	2,990,083,434	-	-	-	-	-	-	-	-	2,990,083,434					
Ending balance as at 31 March 2020	-	87,789,917,237	(8,137,915,918)	-	12,332,567	-	(1,443,934,031)	888,004,205	121,302,682	83,300,927,637	162,530,634,379					
Beginning balance as at 1 January 2019	-	52,998,840,193	-	-	-	-	(1,100,415,482)	819,701,391	82,648,649	88,962,871,234	141,763,645,985					
Profit remittances to Head Office	-	-	-	-	-	-	-	-	-	(10,180,000,000)	(10,180,000,000)					
Employee benefits on share-based payment	-	-	-	-	-	-	-	-	15,564,170	-	15,564,170					
Net profit	-	-	-	-	-	-	-	-	-	4,009,490,125	4,009,490,125					
Unrealised gains on changes in fair value of investments	-	11,527,632,091	-	-	-	-	-	-	-	-	11,527,632,091					
Realised gain from sale of available-for-sale investment and impairment loss transferred to profit or loss	-	(682,554,400)	-	-	-	-	-	-	-	-	(682,554,400)					
Ending balance as at 31 March 2019	-	63,843,917,884	-	-	-	-	(1,100,415,482)	819,701,391	98,212,819	82,792,361,359	146,453,777,971					

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

AIA Company Limited
Statement of Cash Flows (Unaudited)
For the three-month period ended 31 March 2020

	Notes	2020 Baht	2019 Baht
Cash flows provided by (used in) operating activities			
Written premium received from direct insurance		31,182,815,316	29,128,370,199
Fee income		49,126,379	43,529,962
Cash paid for reinsurance		(712,399,348)	(280,750,668)
Interest income		4,108,555,699	4,375,234,420
Dividend income		307,772,551	196,452,874
Investment expenses		(453,544,176)	(311,917,903)
Cash received from settlement of derivatives		262,401,085	423,534,657
Rental income		269,045,813	256,284,214
Other income		53,624,735	20,012,379
Gross benefits and claim paid from direct insurance		(23,981,794,425)	(18,160,487,540)
Commissions and brokerages from direct insurance		(3,426,534,879)	(3,310,558,136)
Other underwriting expenses		(6,836,293,226)	(7,044,272,218)
Operating expenses		(2,845,926,703)	(2,043,781,799)
Income tax expense		(45,869,145)	(46,786,628)
Cash received from investment in securities		22,587,729,684	14,036,687,127
Cash paid for investment in securities		(18,544,064,548)	(12,869,217,352)
Cash paid for investment property	14	(81,886,892)	(4,574,777)
Cash received from loan repayments		1,354,397,134	1,517,066,773
Cash paid for loan drawdowns		(1,899,655,910)	(1,743,022,331)
Cash received from assets held to cover linked liabilities		3,072,751,293	1,246,154,842
Cash paid for assets held to cover linked liabilities		(4,522,857,934)	(2,661,079,829)
Net cash provided by (used in) operating activities		(102,607,497)	2,766,878,266
Cash flows provided by (used in) investing activities			
<u>Cash flows provided by:</u>			
Properties and equipment		-	3,480,000
Net cash provided by investing activities		-	3,480,000
<u>Cash flows used in:</u>			
Properties and equipment	17	(3,554,214)	(135,120,359)
Intangible assets	18	(31,067,391)	(117,541,833)
Net cash used in investing activities		(34,621,605)	(252,662,192)
Net cash used in investing activities		(34,621,605)	(249,182,192)

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

AIA Company Limited
Statement of Cash Flows (Unaudited) (Cont'd)
For the three-month period ended 31 March 2020

	2020 Baht	2019 Baht
Cash flows provided by (used in) financing activities		
<u>Cash flows provided by:</u>		
Borrowings	9,400,000,000	1,300,000,000
Net cash provided by financing activities	9,400,000,000	1,300,000,000
<u>Cash flows used in:</u>		
Lease liabilities	(86,399,338)	-
Remittances to Head Office	-	(10,180,000,000)
Finance cost	(473,055)	(6,297,603)
Net cash used in financing activities	(86,872,393)	(10,186,297,603)
Net cash provided by (used in) financing activities	9,313,127,607	(8,886,297,603)
Net increase (decrease) in cash and cash equivalents	9,175,898,505	(6,368,601,529)
Cash and cash equivalents at beginning of period	5,553,565,042	7,769,489,147
Cash and cash equivalents at end of period	<u>14,729,463,547</u>	<u>1,400,887,618</u>

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

1. General information

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

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

181 Surawongse Road, Bangrak, Bangkok 10500.

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

This interim financial information has been approved by the Branch's management on 8 June 2020.

This interim financial information has been reviewed, not audited.

2. Basis of preparation

The interim financial information has been prepared in accordance with Thai Accounting Standard 34 Interim Financial Reporting. The primary financial information (statement of financial position, statement of comprehensive income, statement of changes in Head Office's equity and cash flows) is presented in a format consistent with the annual financial statements complying with Thai Accounting Standard 1 Presentation of Financial Statements. In addition, the interim financial information presentation is based on the formats of life insurance interim financial information attached in an Office of Insurance Commission's notification "Principle, methodology, condition and timing for preparation, submission and reporting of financial statements and operation performance for life insurance company (No.2) B.E. 2562" dated on 4 April 2019 ("OIC Notification"). The notes to the interim financial information are prepared in a condensed format. Additional notes are presented as required by the aforementioned OIC Notification.

The interim financial information should be read together with the annual financial statements for the year ended 31 December 2019.

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

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

3. Accounting policies

The accounting policies used in the preparation of the interim financial information are consistent with those used in the annual financial statements for the year ended 31 December 2019, except for the following:

1. the adoption of the new financial reporting standards as described in Note 4
2. the Branch did not apply the temporary exemption guidance to relieve the impact from COVID-19 (temporary measures to relieve the impact from COVID-19) announced by the Federation of Accounting Professions (TFAC) for the reporting period ended 31 March 2020.

4. Adoption of new financial reporting standards and changes in accounting policies

Adoption of new financial reporting standards

On 1 January 2020, the Branch passes criteria of temporary exemption from TFRS 9 Financial Instruments and TFRS 7 Financial Instruments: Disclosures under TFRS 4 (revised 2018) Insurance Contracts. The Branch is eligible to apply the 'financial instruments and disclosures for insurance companies' accounting guidance' ('the Accounting Guidance').

The Branch has adopted financial reporting standards relating to financial instruments (TAS 32, and the Accounting Guidance) and leases standard (TFRS 16) retrospectively from 1 January 2020, but has not restated comparatives for the 2019 reporting period, as permitted in the standards. The reclassifications and adjustments arising from the new requirements are therefore recognised in the opening statement of financial position on 1 January 2020.

The following tables show the adjustments and reclassifications made to the amounts recognised in each line item in the statement of financial position upon adoption of the financial reporting standards relate to financial instruments (TAS 32 and the Accounting Guidance) and leases standard (TFRS 16):

	As at 31 December 2019 Previously reported Baht	TAS 32 and the Accounting Guidance Reclassifications and adjustments Baht	TFRS 16 Adjustments Baht	As at 1 January 2020 Restated Baht
Assets				
Accrued income on investment	5,142,295,470	(970,819,138)	-	4,171,476,332
Derivative assets	7,054,202,416	8,226,717,609	-	15,280,920,025
Investment in securities	880,192,356,890	753,017,950	-	880,945,374,840
Loans and accrued interest receivables	32,240,355,289	891,282,939	-	33,131,638,228
Other assets	1,907,604,409	-	1,415,893,148	3,323,497,557
Total assets	926,536,814,474	8,900,199,360	1,415,893,148	936,852,906,982
Liabilities and Head Office's equity				
Liabilities				
Derivative liabilities	61,769,363	3,566,578,591	-	3,628,347,954
Deferred tax liabilities	33,698,516,767	1,082,631,394	(3,306,572)	34,777,841,589
Other liabilities	32,889,126,630	-	1,432,426,008	34,321,552,638
Total liabilities	66,649,412,760	4,649,209,985	1,429,119,436	72,727,742,181

4. Adoption of new financial reporting standards and changes in accounting policies (Cont'd)

Adoption of new financial reporting standards (Cont'd)

The following tables show the adjustments and reclassifications made to the amounts recognised in each line item in the statement of financial position upon adoption of the financial reporting standards relate to financial instruments (TAS 32 and the Accounting Guidance) and leases standard (IFRS 16): (Cont'd)

	As at 31 December 2019 Previously reported Baht	TAS 32 and the Accounting Guidance Reclassifications and adjustments Baht	IFRS 16 Adjustments Baht	As at 1 January 2020 Restated Baht
Head Office's Equity				
Remeasurements of investments measured at fair value through other comprehensive income, net of tax	138,167,982,619	1,062,510,332	-	139,230,492,951
Branch's retained earnings	79,655,938,567	3,188,479,043	(13,226,288)	82,831,191,322
Total Head Office's Equity	217,823,921,186	4,250,989,375	(13,226,288)	222,061,684,273
Total liabilities and Head Office's Equity	284,473,333,946	8,900,199,360	1,415,893,148	294,789,426,454

The adoption of the new financial reporting standards on financial instruments mainly affects the Branch's accounting treatment as follows:

Classification and measurement

- Currently, 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, as of 1 January 2020.
- Currently, 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 reclassified and remeasured to fair value through profit or loss with a corresponding adjustment to retained earnings of Baht 3,638 million, net of tax, as of 1 January 2020.
- Currently, the Branch has financial instruments with embedded derivatives and warrants of Baht 312 million. These instruments will be reclassified and remeasured from fair value to other comprehensive income to fair value through profit or loss with a corresponding adjustment from other comprehensive income to retained earnings of Baht 13 million, net of tax, as of 1 January 2020.
- 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. For the classification of investment in Thailand's Real Estate Investment Trust (REIT) and Infrastructure Trust, Infrastructure Fund, and Property Fund, the Branch applies the TFAC's clarification announced on 14 May 2020. The announcement requires the Branch to classify the aforementioned investments as investment in equity instruments.

4. Adoption of new financial reporting standards and changes in accounting policies (Cont'd)

Adoption of new financial reporting standards (Cont'd)

Impairment

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 earning amounting to Baht 462 million, net of tax.

The Branch adopted TFRS 16 and recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of TAS 17 Leases. At adoption of TFRS 16, lease liabilities at transition date 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%

	<u>Thousand Baht</u>
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	(68,300)
<u>Add</u> Adjustments as a result of a different treatment of extension and termination options	990,973
<u>Add</u> Other adjustments	74,717
Lease liability recognised as at 1 January 2020	<u>1,432,426</u>

The associated right-of-use assets for property leases were measured on a retrospective basis as if TFRS 16 had always been applied. The right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepayment relating to that lease recognised in the statement of financial position as at 31 December 2019. 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:

	31 March 2020	1 January 2020
	<u>Thousand Baht</u>	<u>Thousand Baht</u>
Land	251,427	255,380
Buildings and improvements	1,398,948	1,485,290
Others	2,610	-
Total right-of-use assets	<u>1,652,985</u>	<u>1,740,670</u>

4. Adoption of new financial reporting standards and changes in accounting policies (Cont'd)

Adoption of new financial reporting standards (Cont'd)

Practical expedients applied

In applying TFRS 16 for the first time, the Branch has used the following practical expedients permitted by the standard with lease agreements effective prior to 1 January 2020:

- 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

Changes in accounting policies from adoption of the financial reporting standards related to financial instruments and leases

Investment in securities

Classification and measurements

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
- Investments designated at fair value through profit or loss

The Branch initially recognises a financial asset on trade date 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.

Impairment

From 1 January 2020, the Branch assesses expected credit loss on a forward looking basis for its financial assets classified as debt securities carried at FVOCI and at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. 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 expected credit loss will be recognised in profit or loss.

4. Adoption of new financial reporting standards and changes in accounting policies (Cont'd)

Changes in accounting policies from adoption of the financial reporting standards related to financial instruments and leases (Cont'd)

Derivative assets and liabilities

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 re-measured 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.

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.

4. Adoption of new financial reporting standards and changes in accounting policies (Cont'd)

Changes in accounting policies from adoption of the financial reporting standards related to financial instruments and leases (Cont'd)

Derivative assets and liabilities (Cont'd)

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.

Right-of-use assets and lease liabilities

The Branch leases property, plant and equipment. Rental contracts are typically made for fixed periods between 2 to 30 years but may have extension options. Before 2020 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2020, 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. Right-of-use assets are recorded as part of "Other assets" in the statement of financial positions.

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.

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.

4. Adoption of new financial reporting standards and changes in accounting policies (Cont'd)

Changes in accounting policies from adoption of the financial reporting standards related to financial instruments and leases (Cont'd)

Right-of-use assets and lease liabilities (Cont'd)

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

- the amount of the initial measurement of lease liability
- any lease prepayments 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 comprised of facsimiles.

5. Estimates

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

In preparing this interim financial information, the significant judgements made by management in applying the Branch's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2019.

6. Fair value

6.1 Fair value estimation

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

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

6. Fair value (Cont'd)

6.1 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 March 2020 and 31 December 2019.

	Level 1 Thousand Baht	Level 2 Thousand Baht	Level 3 Thousand Baht	Total Thousand Baht
As at 31 March 2020				
(Unaudited)				
Assets				
Derivative assets	14,328	10,136,054	-	10,150,382
Investment in securities				
Investments measured at fair value through profit or loss				
Mutual funds	562	-	-	562
Investments measured at fair value through other comprehensive income				
Debt securities	-	663,272,407	-	663,272,407
Equity securities	80,883,400	-	1,701,835	82,585,235
Investments designated at fair value through profit or loss				
Mutual funds	3,258,461	-	-	3,258,461
Financial assets with embedded derivatives	-	300,204	-	300,204
Investment property	-	-	16,931,530	16,931,530
Assets held to cover linked liabilities	23,732,152	-	-	23,732,152
Land and building	-	-	1,188,861	1,188,861
Total assets	107,888,903	673,708,665	19,822,226	801,419,794
Liabilities				
Derivative liabilities	-	17,806,538	-	17,806,538
Total liabilities	-	17,806,538	-	17,806,538
As at 31 December 2019				
(Audited)				
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	155,254,384	700,223,778	18,050,643	873,528,805

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

6. Fair value (Cont'd)

6.2 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.

6.3 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 periods.

6.4 Valuation techniques used to derive Level 3 fair values

The changes in investment property, and land and building are disclosed in Notes 14, and 17, respectively. The Branch engaged an external independent and qualified appraiser to determine the fair value of the investment property, and land and building. Different valuation techniques may be adopted to reach the fair value of the properties. Under the Market Data Approach, records of recent sales and offerings of similar property are analysed and comparisons are made for factors such as size, location, quality and prospective use. The Discounted Cash Flow Approach may be used by reference to net rental income allowing for reversionary income potential to estimate the fair value of the properties. On some occasions, the Cost Approach is used as well to calculate the fair value which reflects the cost that would be required to replace the service capacity of the property.

6. Fair value (Cont'd)

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

The following table presents the changes in Level 3 financial instruments for the period ended 31 March 2020 and for the year ended 31 December 2019.

	(Unaudited) Investments measured at fair value through other comprehensive income Equity security 31 March 2020 Thousand Baht	(Audited) Available-for-sale Equity security 31 December 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	-
Gains on remeasuring investments measured at fair value through other comprehensive income	1,277	-
Closing balance at the end of period/year	1,701,835	-

As at 1 January 2020, general investments in equity securities are reclassified and remeasured under the Accounting Guidance to fair value through other comprehensive income employing an internally developed financial modelling.

Key unobservable input is discount rate. The increase or decrease in discount rate by 1% will impact the fair value of these instruments by -1.16% and 1.30%, 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 periods.

Valuation process

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

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.

7. Cash and cash equivalents

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Cash on hand	24,123	23,821
Deposits held at call with banks and financial institutions	14,705,341	2,785,010
Short-term investments	-	2,744,734
Total cash and cash equivalents	<u>14,729,464</u>	<u>5,553,565</u>

8. Premium receivables

The balances of premium receivables are aged as follows:

	From direct insurance (Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Current	6,612,486	6,039,061
Overdue		
Not over 30 days	1,093,830	1,118,250
31 - 60 days	9,652	10,211
61 - 90 days	8,839	5,758
Over 90 days	7,843	5,258
Total premium receivables	<u>7,732,650</u>	<u>7,178,538</u>

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

9. Reinsurance assets

The details of reinsurance assets are as follows:

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Claim incurred but not reported	169,439	141,030
Unearned premium reserve	81,494	85,780
Others (Note 29 (b))	4,763	4,723
Total reinsurance assets	<u>255,696</u>	<u>231,533</u>

10. Amount due from reinsurance

The details of amount due from reinsurance are as follows:

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Due from reinsurance	17	628
Total amount due from reinsurance	17	628

11. Derivative assets and liabilities

	(Unaudited) 31 March 2020 Fair value	
	Assets Thousand Baht	Liabilities Thousand Baht
Held for hedge derivatives		
- Applied hedge accounting	9,155,566	16,962,247
- Not applied hedge accounting	994,816	844,291
Total derivatives	10,150,382	17,806,538

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

11. Derivative assets and liabilities (Cont'd)

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

31 March 2020 (Unaudited)						
Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Fair value		Fair value gains (losses) on derivatives Thousand Baht
				Assets Thousand Baht	Liabilities Thousand Baht	
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	260	96,333,039	996,476	3,524,977	(9,669,868)
Interest rate swap contracts	Closing position of floating interest rate	408	-	8,159,090	13,437,270	(7,240,502)
Total		668	96,333,039	9,155,566	16,962,247	(16,910,370)

As of 31 December 2019, the Branch did not apply hedge accounting on the derivative financial instruments.

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

11. Derivative assets and liabilities (Cont'd)

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

Type of contract	Purpose	31 March 2020 (Unaudited)				
		Number of contracts	Notional value Thousand Baht	Fair value		Fair value gains (losses) on derivatives Thousand Baht
				Assets Thousand Baht	Liabilities Thousand Baht	
Cross currency swap and forward contracts	Closing financial position of investment in foreign currency	70	17,964,627	741,948	433,995	(2,203,892)
Interest rate swap contracts	Closing position of floating interest rate	14	-	238,540	410,296	(195,607)
Warrants		-	-	14,328	-	1,141
Subscription rights		-	-	-	-	(8,182)
Total		84	17,964,627	994,816	844,291	(2,406,540)

31 December 2019 (Audited)

Type of contract	Purpose	Number of contracts	Notional value Thousand Baht	Book value	
				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 at 31 December 2019, 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:

	(Unaudited) 31 March 2020		(Audited) 31 December 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>				
Mutual funds	730	562	-	-
Total	730	562	-	-
<u>Less</u> Unrealised loss	(168)	-	-	-
Total investments measured at fair value through profit or loss	562	562	-	-
<u>Investments measured at fair value through other comprehensive income</u>				
Government and state enterprise securities	389,980,874	481,104,107	-	-
Private enterprise debt securities	74,200,621	80,631,450	-	-
Foreign debt securities	102,068,694	101,536,850	-	-
Equity securities	81,140,588	82,585,235	-	-
Total	647,390,777	745,857,642	-	-
<u>Add</u> Unrealised gain	98,723,999	-	-	-
<u>Less</u> Provision for impairment on equity securities	(257,134)	-	-	-
Total investments measured at fair value through other comprehensive income	745,857,642	745,857,642	-	-
<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>				
Mutual funds	3,421,501	3,258,461	-	-
Financial assets with embedded derivatives	297,623	300,204	-	-
Total	3,719,124	3,558,665	-	-
<u>Less</u> Unrealised loss	(160,459)	-	-	-
Total investment designated at fair value through profit or loss	3,558,665	3,558,665	-	-

12. Investment in securities (Cont'd)

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

	(Unaudited) 31 March 2020		(Audited) 31 December 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 loss	-	-	(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 gain	-	-	160,502,283	-
<u>Less</u> Provision for impairment	-	-	(605,352)	-
Total available-for-sale, net	-	-	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	<u>800,916,869</u>	<u>800,916,869</u>	<u>880,192,357</u>	<u>880,958,562</u>

12. Investment in securities (Cont'd)

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

	(Unaudited) 31 March 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)	661,621,504	344,278
Investment in debt securities which credit risk has significantly increased (Stage 2)	1,650,903	292,332
Credit-impaired investments in debt securities (Stage 3)	-	100,000
Total	663,272,407	736,610

12.2 Debt securities that are measured at amortised cost

	(Unaudited) 31 March 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	-	51,500,000
Investment in debt securities which credit risk has significantly increased (Stage 2)	-	-	-
Credit-impaired investments in debt securities (Stage 3)	-	-	-
Total	51,500,000	-	51,500,000

12. Investment in securities (Cont'd)

For the three-month period ended 31 March 2020, the Branch had revenue recognised relating to investment as follows:

- Interest income and dividend income from investments amounting to Baht 6,633 million and Baht 1,071 million, respectively (31 March 2019: Baht 6,988 million and Baht 947 million, respectively).
- Consideration received from selling investments totalling Baht 22,588 million (31 March 2019: Baht 14,037 million) and loss from selling investments totalling Baht 3,919 million (31 March 2019: gain from selling investments totalling Baht 853 million).

As at 31 March 2020, the Branch had government bonds and promissory notes deposited with the Office of Insurance Commission in order to comply with the Life Insurance Act with a fair value amounting to Baht 194,661 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 March 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 10,428 million and Baht 8,342 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 69,094 million (As at 31 December 2019: Baht 83,032 million). For the period ended 31 March 2020, the realised gain from partial sale of reclassified debt securities is Baht 713 million (31 March 2019: Baht 190 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.

13. Loans and accrued interest receivables

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

	(Unaudited) 31 March 2020		(Audited) 31 December 2019	
	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht
<u>Policy loans</u>				
Outstanding period				
Current	31,063,275	960,139	30,777,946	890,675
Overdue				
Less than 3 months	-	-	-	-
3 - 6 months	-	-	-	-
6 - 12 months	-	-	-	-
More than 12 months	-	-	-	-
Policy loans, net	31,063,275	960,139	30,777,946	890,675
<u>Mortgage loans</u>				
Loans which credit risk has not significantly increased (Stage 1)	1,434,049	439	-	-
Loans which credit risk has significantly increased (Stage 2)	-	-	-	-
Credit-impaired loans (Stage 3)	33,180	-	-	-
Credit-impaired loans since initial recognition	-	-	-	-
Total	1,467,229	439	-	-
<u>Less</u> Expected credit loss	(14,984)	-	-	-
Mortgage loans, net	1,452,245	439	-	-
<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
Loans and accrued interest receivable	32,515,520	960,578	32,240,355	891,282

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

14. Investment property

		31 March 2020 (Unaudited)			Unit : Thousand Baht	
		Cost/Fair value				
	Beginning balance 1 January 2020	Additions from acquisition and capitalised subsequent expenditures	For the period		Fair value gain (loss)	Ending balance 31 March 2020
			Disposal	Reclassify		
Land	9,540,000	-	-	-	-	9,540,000
Buildings and improvements	7,309,643	81,887	-	-	-	7,391,530
Total	16,849,643	81,887	-	-	-	16,931,530
		31 December 2019 (Audited)			Unit : Thousand Baht	
		Cost/Fair value				
	Beginning balance 1 January 2019	Additions from acquisition and capitalised subsequent expenditures	For the year		Fair value gain (loss)	Ending balance 31 December 2019
			Disposal	Reclassify		
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 2019, the Branch engaged an external independent and qualified appraiser to determine the fair value of the investment property. The valuation techniques and valuation process of investment property are disclosed in Note 6.4.

For the three-month period ended 31 March 2020, the investment property generated rental income amounting to Baht 265 million (31 March 2019: Baht 241 million) and its direct operating expenses (including repair and maintenance) arise from investment property that generated rental income amounting to Baht 64 million (31 March 2019: Baht 100 million).

14. Investment property (Cont'd)

14.1 Lease revenue arising from operating lease contracts

A maturity analysis of undiscounted lease revenue arising from operating lease contracts of investment properties are as follows:

	(Unaudited) 31 March 2020 Thousand Baht
Maturing	
Within 1 year	762,015
Between 1 to 2 years	452,618
Between 2 to 3 years	97,045
Between 3 to 4 years	31,079
Between 4 to 5 years	34,256
Later than 5 years	345,478
Total	1,722,491

15. Investment in associates

The Branch has interests in an immaterial associate.

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

		Ownership interest		Cost method	
		(Unaudited) 31 March 2020 %	(Audited) 31 December 2019 %	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Associates	Type of business				
P.C. - AIA Company Limited	Real estate	49	49	171,500	171,500
Total				171,500	171,500

The Branch has not presented financial statements in which investments 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 made available for public use. This is permitted under TAS 28 (revised 2019) "Investment in Associates and Joint Ventures".

16. Assets held to cover linked liabilities

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Investment in mutual funds that are measured at fair value through profit or loss	23,732,152	27,720,158
Total	23,732,152	27,720,158

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

17. Property, plant and equipment

	31 March 2020 (Unaudited)										Unit : Thousand Baht			
	Cost/Revaluation					Accumulated depreciation								
	For the period					For the period								
Beginning balance 1 January 2020	Addition	Write-off	Disposal	Transfer	Reclassify	Gain on revaluation	Ending balance 31 March 2020	Beginning balance 1 January 2020	Depreciation charge	Write-off	Disposal	Revaluation adjustment	Ending balance 31 March 2020	Property, plant and equipment
Land	463,000	-	-	-	-	-	463,000	-	-	-	-	-	-	463,000
Buildings and improvements	738,000	-	-	-	-	-	738,000	-	12,139	-	-	-	12,139	725,861
Furniture, fixtures and equipment	2,424,622	541	(2,306)	-	-	-	2,422,857	1,590,562	42,256	(2,306)	-	-	1,630,512	792,345
Computer hardware	996,294	1,114	-	-	-	-	997,408	842,537	20,261	-	-	-	862,798	134,610
Motor vehicles	33,018	1,899	-	-	-	-	34,917	15,896	1,621	-	-	-	17,517	17,400
Total	4,654,934	3,554	(2,306)	-	-	-	4,656,182	2,448,995	76,277	(2,306)	-	-	2,522,966	2,133,216

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

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

	31 December 2019 (Audited)										Unit : Thousand Baht				
	Cost/Revaluation					Accumulated depreciation					Ending balance 31 December 2019	Property, plant and equipment			
	For the year					For the year			Revaluation adjustment						
	Beginning balance 1 January 2019	Addition	Write-off	Disposal	Transfer	Reclassify	Gain on 31 December revaluation	Ending balance 31 December 2019		Depreciation charge 2019			Write-off	Disposal	
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

In 2019, 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 investment property are disclosed in Note 6.4.

If the land and buildings are stated under the cost model, the carrying value would be Baht 53 million and Baht 71 million, respectively (31 December 2019: Baht 50 million and Baht 73 million, respectively).

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

18. Intangible assets

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

	31 March 2020 (Unaudited)						Unit : Thousand Baht	
	Cost			Accumulated amortisation				
	Beginning balance 1 January 2020	For the period		Beginning balance 1 January 2020	For the period		Ending balance 31 March 2020	
		Addition	Write-off		Transfer		Amortisation charge	Write-off
Computer software	1,560,860	3,757	-	1,089,404	59,647	32,833	1,122,237	-
Other	122,671	-	-	82,671	-	2,500	85,171	-
Work in progress	530,389	27,310	-	-	(59,647)	-	-	-
Total	2,213,920	31,067	-	1,172,075	-	35,333	1,207,408	-

19. Other assets

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Prepaid leasehold (Note 29 (b))	-	321,501
Deposits (Note 29 (b))	144,570	152,473
Amount due from a related party (Note 29 (b))	10,280	29,518
Receivable from sale of investments	895,272	1,201,309
Cash collateral from derivative contract	8,066,594	-
Right-of-use assets (Note 29 (b))	1,652,985	-
Others	222,746	202,803
Total	<u>10,992,447</u>	<u>1,907,604</u>

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

19. Other assets (Cont'd)

19.1 Right-of-use assets

	31 March 2020 (Unaudited)					Unit : Thousand Baht	
	Cost		Accumulated amortisation			Ending balance 31 March 2020	Right-of-use assets
	Beginning balance 1 January 2020	For the period Addition	Change in contract	Ending balance 31 March 2020	Beginning balance 1 January 2020	Amortisation charge	
Land	255,380	-	(1,676)	253,704	-	2,277	251,427
Buildings and improvements	1,485,290	433	(354)	1,485,369	-	86,421	1,398,948
Others	-	2,803	-	2,803	-	193	2,610
Total	1,740,670	3,236	(2,030)	1,741,876	-	88,891	1,652,985

The related lease liabilities are disclosed in Note 25.

For the three-month period ended 31 March 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.

20. Borrowings

The details of borrowings are presented below:

Short-term borrowings

	(Unaudited) 31 March 2020		(Audited) 31 December 2019	
	Principal Thousand Baht	Accrued interest Thousand Baht	Principal Thousand Baht	Accrued interest Thousand Baht
Borrowings with repurchase agreement (Repo)	9,400,000	1,174	-	-
Total	9,400,000	1,174	-	-

As at 31 March 2020, the Branch had sold government bonds with Repurchase Agreements (Repo) to commercial banks as collateral for borrowings at the same amount. Certain government bonds have nominal value amounting to Baht 8,731 million (As at 31 December 2019: Nil). The interest rate of the borrowing agreement was 0.76% per annum.

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

Subsequent event after the financial statements date

In April 2020, the Branch repurchased all of the government bonds from the commercial banks amounting to Baht 9,406 million.

AIA Company Limited
Condensed Notes to the Interim Financial Information (Unaudited)
For the interim period ended 31 March 2020

21. Insurance liabilities

	Unit : Thousand Baht			
	31 March 2020 (Unaudited)		31 December 2019 (Audited)	
	Insurance contract liabilities	Liabilities recovered from reinsurance	Insurance contract liabilities	Liabilities recovered from reinsurance
		Net		Net
Long-term technical reserves	573,382,424	573,382,424	575,116,690	575,116,690
Claim liability				
- Reported claim	1,067,398	1,062,635	1,330,646	1,325,923
- Claim incurred but not reported	735,995	566,556	707,662	566,632
Premium liability				
- Unearned premium reserve	17,085,943	17,004,449	16,726,248	16,640,468
Unpaid policy benefits	354,756	354,756	389,802	389,802
Due to insured	100,751,643	100,751,643	102,733,744	102,733,744
Total	693,378,159	693,122,463	697,004,792	696,773,259

21. Insurance liabilities (Cont'd)

21.1 Long-term technical reserve

The movement details are below:

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Beginning balance for the period/year	575,116,690	572,249,868
Policy reserve movement for new policies and inforce policies during the period/year	16,586,535	69,619,956
Net movement in benefits payable to life policyholders for death, maturity, surrenders, other policyholders benefits and claims	(17,919,777)	(67,036,685)
Others	(401,024)	283,551
Closing balance at the end of period/year	573,382,424	575,116,690

21.2 Short-term technical reserve

21.2.1 Claim liability

The movement details are below:

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Beginning balance for the period/year	2,038,308	2,582,221
Insurance claims and loss adjustment expenses incurred during the period/year	5,246,099	21,411,110
Changes in claim reserve from change in assumption during the period/year	28,333	(460,230)
Insurance claims and loss adjustment expenses paid during the period/year	(5,509,347)	(21,494,793)
Closing balance at the end of period/year	1,803,393	2,038,308

21.2.2 Unearned premium reserve

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Beginning balance for the period/year	16,726,248	15,316,716
Premium written for the period/year	9,576,027	38,669,607
Premium earned in the period/year	(9,216,332)	(37,260,075)
Closing balance at the end of period/year	17,085,943	16,726,248

21. Insurance liabilities (Cont'd)

21.3 Unpaid policy benefits

The details are as below:

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Death benefits	354,756	389,802
Total	354,756	389,802

21.4 Due to insured

The details of due to insured are presented below:

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Deposits from insurance contracts	66,632,218	64,435,076
Account value of universal life insurance contracts	10,387,273	10,578,510
Account value of unit linked insurance contracts	23,732,152	27,720,158
Total	100,751,643	102,733,744

22. Investment liabilities

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Beginning balance for the period/year	716,019	1,619,936
Investment contract benefits	(407,577)	(944,625)
Change in investment contract liabilities	4,096	40,708
Closing balance at the end of period/year	312,538	716,019

23. Amount due to reinsurance

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Fund reserve	14,394	11,251
Outward premium payable (Note 29 (b))	419,060	581,644
Total amount due to reinsurance	<u>433,454</u>	<u>592,895</u>

24. Deferred tax liabilities

	(Unaudited)		
	Net deferred tax asset/ (liability) at 1 January 2020 Restated Thousand Baht	Credited/ (charged) to profit or loss Thousand Baht	Credited/ (charged) to other comprehensive income (loss) Thousand Baht
For the period ended			
Revaluation of investment	(34,897,623)	1,796,545	14,889,942
Insurance and investment			
liabilities	2,154,908	(1,210,022)	-
Provision of expenses	844,935	2,486	-
Others	(2,880,062)	(95,720)	-
Total	<u>(34,777,842)</u>	<u>493,289</u>	<u>14,889,942</u>
	(Audited)		
	Net deferred tax asset/ (liability) at 1 January 2019 Thousand Baht	Credited/ (charged) to profit or loss Thousand Baht	Credited/ (charged) to other comprehensive income (loss) Thousand Baht
For the year ended			
Revaluation of investment	(12,528,011)	5,305	(21,292,286)
Insurance and investment			
liabilities	4,899,736	(2,744,828)	-
Provision of expenses	667,870	91,185	85,880
Others	(2,663,196)	(203,096)	(17,076)
Total	<u>(9,623,601)</u>	<u>(2,851,434)</u>	<u>(21,223,482)</u>
	Net deferred tax asset/ (liability) at 31 December 2019 Thousand Baht		
	(18,211,136)		
	944,886		
	847,421		
	(2,975,782)		
	(19,394,611)		

25. Other liabilities

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
Accrued commissions and expenses	7,518,843	7,052,400
Payable for purchase of investments	755,340	460,126
Unpresented cheques payable	1,770,011	2,057,097
Expired cheques payable	2,233,001	2,198,490
Due commissions and expenses	902,849	807,352
Payable to related parties (Note 29 (b))	393,676	944,150
Agents payable	2,273,908	5,536,839
Cash collateral from derivative contracts	1,874,978	10,698,631
Other accounts payable	406,334	817,076
Lease liabilities (Note 29 (b))	1,355,711	-
Others	2,004,239	2,316,966
Total	<u>21,488,890</u>	<u>32,889,127</u>

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

25.1 Lease liabilities

The maturity analysis of lease liabilities are aged as follows:

Maturing	(Unaudited) 31 March 2020 Thousand Baht
Within 1 year	316,832
Between 1 to 5 years	947,768
Later than 5 years	91,111
Total	<u>1,355,711</u>
Including: - Principal	1,499,444
- Interest	(143,733)

For the three-month periods ended 31 March 2020, interest expense on lease liabilities amounted to Baht 8.4 million is recorded as "Finance cost" in the statement of comprehensive income.

26. Gross benefits and claim paid

	(Unaudited) 31 March 2020 Thousand Baht	(Unaudited) 31 March 2019 Thousand Baht
Insurance contract benefits	26,355,071	19,224,620
Change in investment contract liabilities	4,097	13,752
Total	<u>26,359,168</u>	<u>19,238,372</u>

27. Operating expenses

	(Unaudited) 31 March 2020 Thousand Baht	(Unaudited) 31 March 2019 Thousand Baht
Employee expenses not relating to underwriting expenses, and loss adjusting expenses	875,642	834,167
Property and equipment expenses not relating to underwriting expenses, and loss adjusting expenses	484,807	403,782
Tax expenses	4,198	2,771
Other operating expenses	461,497	233,969
Total	<u>1,826,144</u>	<u>1,474,689</u>

28. Expected credit loss

	(Unaudited) 31 March 2020 Thousand Baht
Investment in securities	65,250
Loans and accrued interest receivables	(687)
Total	<u>64,563</u>

29. Related party transactions

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

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

(a) Statements of comprehensive income

	(Unaudited) 31 March 2020 Thousand Baht	(Unaudited) 31 March 2019 Thousand Baht
<u>Head office</u>		
Operating expense	216,254	193,622
<u>Affiliated companies</u>		
Premiums ceded to reinsurers	1,319,844	698,367
Fee and commission income	15,200	24,417
Net investment income	(58,279)	(51,839)
Other income	79	79
Benefits and claim paid recovered from reinsurers	878,383	493,297
Other underwriting expenses	4,389	7,339
Operating expenses	242,983	265,880
Capitalised expenses	14,537	3,916

(b) Statement of financial position

	(Unaudited) 31 March 2020 Thousand Baht	(Audited) 31 December 2019 Thousand Baht
<u>Head office</u>		
Profit remittances to Head Office	-	31,727,000
Other liabilities	79,738	661,995
<u>Affiliated companies</u>		
Reinsurance assets	2,785	3,138
Investment in associates	171,500	171,500
Other assets	811,987	422,820
Amount due to reinsurance	157,016	115,128
Other liabilities	736,189	281,765

29. Related party transactions (Cont'd)

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

(c) Key management compensations

Key management compensations are as follows:

	(Unaudited) 31 March 2020 Thousand Baht	(Unaudited) 31 March 2019 Thousand Baht
Salary and other short-term employee benefits	37,046	39,344
Post-employment benefits	2,346	17,378
Share-based payment	7,528	7,215
Total	<u>46,920</u>	<u>63,937</u>

30. Contingent liabilities and commitments

As indicated in note 4, 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:

	(Audited) 31 December 2019 Thousand Baht
Not later than 1 year	321,769
Later than 1 year but not later than 5 years	<u>113,267</u>
Total	<u>435,036</u>

As at 31 March 2020, the Branch had contractual commitment from contracts for investment property projects with the amount at the maximum of Baht 416 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.

31. Events occurring after the reporting date

In the first quarter of 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.